

Washington's Lottery Business Plan

2009-2011 Biennium

(Fiscal Years 2010 and 2011)

Vision:

Washington's Lottery: Leader in public value, first in fun.

Product Mission:

To offer imaginative games that bring fun and dreams into people's lives.

Economic Mission:

To responsibly maximize our revenues to the State of Washington.

Social Mission:

To enhance the quality of life for the people of Washington by financially contributing to education and other community endeavors.

67.70.40... in order that such a lottery be initiated at the earliest feasible and practicable time, and in order that such lottery produce the maximum amount of net revenues for the state consonant with the dignity of the state and the general welfare of the people...The use of electronic or mechanical devices or video terminals which allow for individual play against such devices or terminals shall be prohibited. Approval of the legislature shall be required before entering any agreement with other state lotteries to conduct shared games;] RCW 67.70.330... To the extent set forth in this section, the office of the director shall be a law enforcement agency of this state with the power to investigate for violations of and to enforce the provisions of this chapter and to obtain information from and provide information to all other law enforcement agencies.

Submitted June 13, 2008, the information in this Business Plan is subject to change as legislation, policy changes and economic factors change.

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Washington's Lottery Business Plan

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Business Description

Washington's Lottery provides funding for education and for community endeavors by maximizing profits from the sale of creative and entertaining Lottery products within our guidelines of regulation. The Lottery's two current product lines include *Scratch* and *Draw* games.

- Scratch games – Played by scratching latex from a paper ticket to reveal any predetermined wins. Priced from \$1 to \$20. 50 – 60 new games scheduled to be launched yearly.
- Draw games – Played by matching numbers on a game ticket to numbers *Drawn* by the Lottery, either daily, twice a week, or three times per week... Priced at \$1, includes *Lotto*, *Mega Millions*, *Hit 5*, *Daily Keno* and *The Daily Game* and our newest game, *Match 4*, which is at a \$2 price point.

A small staff of 145 full- and part-time employees operates the Lottery. (See organization charts, attachments A and B). A Lottery Commission adopts the administrative rules that govern the establishment and operation of Washington's Lottery. This Commission is comprised of five Commissioners, appointed by the Governor to rotating six-year terms. (See organization chart, attachment C). Private sector contractors (GTECH, Scientific Games provide lottery tickets and the support systems to facilitate ticket sales at retail locations. The Lottery engages and licenses retail business partners to distribute Lottery products. Currently almost 4000 retailers sell our complete product line across the State.

The Lottery currently accounts for approximately 10% of the gaming market share in the State of Washington (*Washington State Gambling Commission-Fiscal Year Net Receipts Comparison*). The Lottery's sole competitive advantage is rooted in its legislated control over the sale of gaming products at retail locations such as convenience stores and supermarkets. In addition, the Lottery is, for now, the only gaming choice in Washington that offers top prizes of millions of dollars for a wager as small as one dollar.

Gaming / gambling market share consists of tribal casino offerings of table games of chance (e.g., craps, roulette), house-banked card games (e.g., blackjack, poker), multi-draw Keno, and Video Lottery Terminals (VLTs). Private casinos and card rooms offer traditional poker in addition to house-banked card games.

The following information is presented as the Lottery's approach to implementing our Strategic Plan. The focal strategies are: 1) Attract and Retain Quality Staff; 2) Maximize Net Revenue; 3) Drive Sales; 4) Grow Lottery Player Base; 5) Grow a Stable, Predictable Retailer Base; 6) Create a Stable Game portfolio and 7) Provide Value to Our Stakeholders

The Lottery believes that these strategies will be instrumental in meeting or exceeding our vision and mission.

Major Partners

The Lottery's key partners are those outside contractors that work as an extension of the Lottery, and without which we could not operate as efficiently and effectively as we do.

- ✧ **Retailers:** The approximately 4000 retailers selling Lottery tickets at their locations are the Lottery's single most important business partners. The number of retailers was expanded in 2007 and 2008 to improve the availability of Lottery products. Retailers represent not only the distribution network for Lottery products, but they are also the main point of contact with the people who purchase our games. The Lottery works with retailers not only to encourage the responsible promotion and sale of Lottery products at retail, but also to ensure that Lottery products are represented favorably with the public. It is crucial for the Lottery to continue to review its business relationship with retailers and to seek ways to improve that relationship through constant refinement of the Lottery's business practices.
- ✧ **GTECH:** GTECH Corporation is the leading global supplier of systems and services for the Lottery industry. Serving clients in over 50 countries, it has 340,000 point of sale terminals and processes 500 million transactions daily through the entire GTECH network. The Lottery in 2006 signed a contract with GTECH for a six-year period (FY2007-FY2012), with four one-year extension options. The company designs, produces, implements, operates and services computerized networks. GTECH is the Lottery's combined *Draw* game and *Scratch* operations vendor and, as such, plays a critical role in the distribution of tickets, sales tracking, validations of winning tickets, best practices, consulting services, and the Lottery's overall integrity and accountability. The company also provides the Lottery with new and revised game concepts, systems modifications, information about other lotteries and assistance with servicing retailers. GTECH is also the Lottery's provider of Lottery Product Vending Machines (LPVMs). LPVMs provide player convenience through self-service dispensing of *Scratch* tickets from machines that can offer up to 24 different games at one time. In addition, GTECH now offers new functionality that allows participants to purchase *Draw* game tickets at these same machines.
- **GTECH Printing Corporation:** Today's marketplace is filled with entertainment alternatives that make it difficult for lotteries to create and launch products that can compete successfully. We understand that competing successfully requires a variety of resources. In February 2007, GTECH Printing acquired Creative Games International (CGI), an experienced scratch card provider. This acquisition allowed GTECH Corporation to complete its product and services portfolio. As the true "Architects of Gaming," GTECH had long thought that the industry needed something more than just another scratch card provider – it needed a leader capable of taking scratch card gaming to a new level. GTECH Printing combines the proven scratch card printing technology of CGI with GTECH Corporation's strengths, i.e. its industry-leading scratch card management and delivery solutions and the creativity and energy of its various marketing organizations. Through the marriage of these two industry leaders, GTECH Printing has the capability to go far beyond what traditional scratch card printers can offer. The Lottery issued an RFP for Secondary Scratch Ticket Vendor RFP in January 2008. The Lottery contracted with GTECH Printing in May 2008 as the Lottery's secondary *Scratch* ticket printing vendor.

- ✧ **Scientific Games Corporation:** Scientific Games is a global marketing and technology leader in the lottery industry with over 120 national and international customers, including many of the world's highest revenue-producing lotteries. It works in close partnership with customers to drive retail sales and contain operating costs, resulting in more money for lottery beneficiaries such as education and other good causes. Scientific Games is the only company in the world offering the Fullline™ suite of online *Draw* and Instant lottery products, integrated systems and services including Instant tickets, licensed brand games, entertainment-based promotions, online (*Draw*) and Instant ticket validation systems and terminals, cooperative services, best practices, consulting services, and innovative ticket vending systems. Scientific Games is the Lottery's primary *Scratch* ticket printing vendor.
- ✧ **Publicis Seattle:** The Publicis Seattle contract ends in November of FY09. An RFP was issued in May 2008 seeking a new Marketing/Public Relations Agency to provide media buying, creative development, communications, public relations, promotions, and advertising. A new agency is anticipated to be in place by October of FY09.
- ✧ **Retailer Associations:** As the Lottery expands into new classes of trade (i.e. on-premise locations- bars and taverns) we have developed a strong relationship with the Washington Restaurant Association. This 5,000 member organization is the primary representative for this industry, and is strong in legislative affairs.

In addition, there are four major associations that most often represent the retailers with whom the Lottery has developed strong, productive working relationships. The Washington Food Industry, Washington Retail Association, Korean American Grocer's Association and the Washington Association of Neighborhood Stores are organizations with which the Lottery has engaged in joint development of several major initiatives.

Beneficiaries

The Lottery's beneficiaries are legislatively mandated.

- ✧ **Education Construction Fund:** The Lottery's primary beneficiary of unrestricted net proceeds remaining after the satisfaction of the other mandated distributions is the Education Construction Account. These funds, under the direction of the Office of the Superintendent of Public Instruction (OSPI), are used for K-12 new school construction and/or for bond payments on existing school construction debt. The annual goal for contributions to this fund is a minimum of \$102 million, which was accomplished in FY04, FY05 and FY06. Contributions for FY07 totaled \$101.9 million and FY08 contributions are expected to reach \$102 million. Future ability to meet this goal depends upon ability to accomplish sales goals and to accommodate the rising contribution levels mandated to other beneficiaries. The Lottery is one of a number of revenue sources for the State's Education Construction Fund. These dollars are allocated to colleges and universities through direct appropriations, and to K-12 schools through state-matching grant funds that can only be approved after the passage of local bonds and levies.

✧ **Stadium and Exhibition Account (Qwest Field / Seattle Seahawks):** The Lottery has a legislative mandate to provide funding for construction of the Washington State Football/Soccer Stadium and Exhibition Center, beginning in 1998 and ending December 31, 2020. Total commitments over the life of this mandate will be \$219.7 million. The remaining balance for FY09 and beyond is \$ 147.7 million, of which \$8.9-million will be paid in FY09, \$9.2 million will be paid in FY10 and \$9.6 million will be paid in FY11. The Seattle Seahawks are mandated to assist the Lottery, in the form of in-kind contributions, in generating these funds. To accomplish these goals, the Lottery and the Seahawks have developed a strong partnership that includes joint efforts in creating effective advertising, signage, web site links and banner advertisements; training camp, pre-season, and regular season home game promotions; and sales incentives to support the Lottery's consumer and retailer promotions.

King County Fund (Seattle Mariners): The Lottery also has a legislative mandate to provide funding for the construction of the Seattle Mariners stadium beginning in 1996 and ending calendar year 2015. Total commitments over the life of this mandate will be \$89.3 million. The remaining balance for FY09 through calendar year 2015 is \$44.3 million, (is this balance for the Lottery or the entire balance on the bonds? It needs to be clarified given current forecasts that Safeco Field bonds will be paid off in FY 2011.) of which \$4.9 million will be paid in FY09, \$5.1 million will be paid in FY10 and \$5.3 million will be paid in FY11. "The lottery distribution for the Safeco Field bonds ceases on the earlier of bond retirement or 20 years after imposition of the local sales tax for the stadium. Based on current forecasts, the Safeco Field bonds will be paid off early. The current payoff date is projected to occur during the 2011 fiscal year. After the retirement of the Safeco Field bonds, this portion of net lottery revenue will be deposited in the Education Construction Fund." There is not a mandate for the Mariners to assist the Lottery in generating that funding.

Economic Development Strategic Reserve Fund: The Lottery has a legislative mandate to distribute one third of all prizes that go unclaimed during the fiscal year to the Economic Development Strategic Reserve Fund. The use of these funds is limited to the funding of a position within the Economic Development Commission and other expenditures authorized by the Governor with the recommendation of the Director of the Department of Community, Trade and Economic Development and the Economic Development Commission. Contributions in FY08 totaled \$2.9 million with expected contributions in FY08 of \$3.5 million which includes a one time adjustment. Planned contributions in FY09 are approximately \$3.0 million. FY10 and FY11 contributions expected to be approximately the same amount as FY 09.

Problem Gambling Account: The Lottery has a legislative mandate to contribute to a fund for the prevention and treatment of problem and pathological gambling. The Lottery has always been a primary contributor to the prevention and treatment of problem gambling. The mandate formalizes that approach. The Lottery shall contribute to this fund a percentage of its net receipts (the difference between sales of Lottery products less the payments made to winners). The Lottery will contribute $13/100^{\text{th}}$ of 1 percent of our net win to Problem Gambling during fiscal years 2010 and 2011.

Appraisal of External Environment

It is essential that the Lottery assesses the external environment in order to implement our Strategic Plan.

The Lottery operates in a retail business environment and is therefore subject to rapidly changing market conditions. The Lottery's ability to adapt to those rapidly changing market conditions will determine its competitiveness and ability to continue generating revenues. Changing conditions include Lottery market share, Lottery customers' expectations due to changes in the mix of products offered, and economic factors. Each of these shifts will be described in detail below.

Lottery Market Share

Most United States lotteries enjoyed near-monopoly gaming status during their early years, with legitimate gaming competition coming only from resort casinos in Las Vegas and Atlantic City. During the 1990s, lottery monopolies began to erode as states permitted other gaming activities to expand significantly. The State of Washington has more forms of legal in-state gaming entities than most other states. Washington Lottery's direct legitimate gaming competition comes in many forms. These forms of legitimate competition include tribal casinos, enhanced card rooms, pull-tab games and traditional card rooms.

All of these activities taken together have produced gaming revenues (wager minus win) that have tripled within the last decade. However, this growth in gaming has occurred almost exclusively in tribal casinos and card rooms. Lottery revenues vary from year to year, while bingo and pull tab revenues have declined for years. As gaming has expanded, the Lottery share of the market as a percentage has declined. In FY1999, Lottery revenues of about \$177 million accounted for 25% of statewide gambling revenue. In FY2007, Lottery revenues were \$188 million, but gaming had expanded so that the Lottery share accounted for only 10% of the statewide result.

Lottery Customer Expectations

Customers of the Lottery expect us to keep games interesting and relevant.

Traditionally, the compelling reasons that consumers choose Lottery games over its competitors' games have been rooted in four general areas: 1) the ability to offer extraordinarily large sums of money as prizes for a very small wager; 2) the convenience of play as Lottery games are in nearly every convenience store and supermarket, as well as many other retail outlets; 3) public openness and accountability with respect to game operations and beneficiaries; and 4) proceeds from the Lottery benefit the citizens of Washington.

While the Lottery still maintains a competitive edge in these areas, threats to its perceived value, and therefore its playership base, are numerous.

Increasing gaming options, such as those that attain a fast pace or involve an element of skill, have accounted for much of the growth in the casino and card room venues. The Lottery will need to create compelling games, within its guidelines, that can compete in this market. Much of the growth in casinos has been on the strength of games offering top prizes of \$10,000 or less with frequent wins. Rather than leaving this type of game to the casinos, the Lottery will need to add games that emphasize this type of prize to its portfolio.

Large, popular mass merchandizing outlets do not offer Lottery products, largely because lotteries do not have a consistent business model across all states, and commissions on lottery products are relatively low. As these chains continue to expand their product offerings into gasoline, convenience items and groceries, they draw customers away from traditional gas, convenience and grocery stores where Lottery products are sold.

While the Lottery enjoys a reputation for honesty and integrity, ongoing public opinion research indicates that the degree to which people agree that “proceeds from the Lottery benefit the people of Washington State” has fallen significantly.

The Lottery’s strategy to address the product perception issue is to establish new methods of product distribution, identify and enter new markets, and create non-traditional business models. Strategies to expand public outreach include nurturing stakeholder relationships, telling our compelling story and communicating where the money goes.

Economic Factors

It will be difficult for Lottery to maintain its past reliable forecasting based on current and foreseeable economic trends. Nevertheless, significant and general decreases in disposable income might be expected to dampen Lottery sales. Washington State derives a large part of its operating revenue from a tax on retail sales, and maintains a professional Forecast Council to predict tax revenues in future periods. The Forecast Council expects that retail sales in the period FY09 through FY11 will grow at about half the rate experienced in FY05 through FY07. The year FY08 represents a transition to this period of slower growth. The general economic outlook is that the Lottery will have slower growth than in the past.

E-Commerce Drivers

Entertainment is increasingly understood as something delivered electronically. Electronic games with a skill element are enormously popular. Pure games of chance (electronic or otherwise) generally require a material reward element to maintain the interest of players. Internet gambling (games of chance with material rewards played over Internet) has become very popular in the jurisdictions that allow it (including some European countries, but no part of the United States). Internet gambling is currently not legal in the United States, however, it is estimated that Internet gambling accounts for about \$6 billion in U.S. sales annually.

Industry Trends

It is essential that we consider industry trends in our efforts to perpetually develop new games and markets in order to maintain our current playership and attract new customers.

Most of the games offered by state lotteries are either Instant tickets (*Scratch*) or *Draw* games (e.g., *Lotto*). A distinct difference between the two games is the way that the prizes are distributed to the participants. Instant games return money to customers mostly in the form of relatively abundant small prizes. *Draw* games return money to participants mostly in the form of very rare, very large prizes. The proportion of the ticket sales that is ultimately returned to customers in the form of prizes (referred to as “prize expense”) ranges from 50% to 75% in Washington, with *Draw* games are designed for a 50% prize structure, while *Scratch* games have an overall prize payout of 68%

In recent years, most states have attempted to increase *Draw* game sales by joining multi-state *Draw* games (e.g., *Power Ball*, *Mega Millions*), which allows them to offer games with top prizes much larger than any state could afford to offer on its own. In most jurisdictions, the multi-state games have added incremental sales, but they have pulled play away from the in-state *Draw* games. In Washington, the Lotto and Mega Millions games have been fairly stable since FY05, with chance variability in sales and profits from one year to the next due jackpot size. In FY07, Washington successfully expanded its *Draw* game portfolio by adding Hit 5, and making the top prize smaller and easier to win. *Draw* games sales and profits in FY08 are expected to be higher than in any year since FY04. Increasing draw game sales is a key objective of the Lottery for fiscal years 2009-2011.

In some states, lotteries have diversified their offerings beyond traditional Instant games and *Draw* games. A Video Lottery Terminal (VLT) can be thought of as an electronic form of an Instant game in that the universe of possible outcomes is determined before the game starts, and each play consists of buying one of the predetermined outcomes. This background action can be accompanied by an electronic foreground that simulates the play action of a slot machine, a traditional game of chance, or some other entertainment.

Sales of some *Draw* games can be bolstered by increasing the frequency of the *Draw*. Several states *Draw* their smallest “pick a number” game (usually a “Pick 3” offering set prizes of \$500 or under) two or three times per day. In social settings where results can be communicated in real time by video monitors, *Keno* games are most successful when drawn at four- or five-minute intervals. Quick-draw *Keno* (QDK) has been a strong revenue generator in the states that offer it.

Several state lotteries have begun to introduce computer, Internet and/or mobile phone enhancements to their product lines. Washington’s legislation is clear and does not allow electronic play of Lottery products, including electronic Scratch tickets. The New Jersey Lottery offers CyberSlingo where a *Scratch* ticket is purchased at a retail location. The customer *Scratches* the latex to reveal a code that can be entered on a web site. The player can participate in a computer-enhanced play environment that results in a pre-determined winning or non-winning experience. The Kansas Lottery now offers *eScratch* where an on-line (*Draw*) ticket is purchased at a retailer. The player chooses the amount of the purchase and enters a web site that gives a variety of different games that can be chosen for the play experience. The Iowa Lottery is test marketing an electronic liquid crystal display-based ticket that offers a unique play experience with predetermined outcomes.

Comparison to Other States

Washington’s Lottery offers an array of products that includes traditional *Draw* games like *Lotto*, as well as Instant games (*Scratch* tickets). Some lotteries offer more recently-developed products, such as Quick-draw *Keno* and Video Lottery Terminals, in addition to these traditional products. These differences in product offerings account for large differences in sales between states.

The differences between states in regards to population distribution, as well as the variety of lottery products offered by the different states, create a challenge when attempting to draw comparisons between Washington and other lottery states.

Arizona, Colorado, Minnesota, and Wisconsin resemble Washington in retail sales per capita. Within this group of states offering similar Lottery products to somewhat similar populations, we

see that Washington's Lottery is generally similar to the peer states as indicated in the table below (peer states from LaFleur's 2007 World Lottery Almanac).

State	Per capita annual sales	Prizes as Percentage of Sales	Beneficiary transfer as % of Sales	Costs of Operation	Fiscal Year
WA	\$76	61.8%	23.9%	13.0%	2007
WA	\$75	61.0%*	26.2%	12.8%	2006
AZ	\$76	55.25	31.1%	14.8%	2006
CO	\$99	59.7%	26.5%	13.9%	2006
MN	\$87	59.3%	26.4%	14.2%	2006
WI	\$92	58.3%	28.8%	12.9%	2006

This table shows that other states spend a little more on costs of operation (including contracted advertising and promotion, retailer and vendor expenses, and Lottery administration) and less on prize expense. Variations in prize expense account for much of the variation in the percentage of sales transferred to beneficiaries. It should be noted that Washington State has a significant amount of casinos and card rooms compared to other states.

Trends in Customer Characteristics

Customer Trends

The general trends in play by our customers demonstrate the need to perpetually develop new games.

▪ **Draw games**

There have been dramatic changes in play volume of Washington's individual *Draw* games in the past several years. Spending on *Draw* games has dropped by about 25% since 2003, yet net win (gross sales minus prize expense) on *Draw* games has remained about the same. This is mostly due to the changes in the in-state *Lotto* game. In 2003, Washington was selling both the multi-state *Mega Millions* game and a *Lotto Plus* game that was similar in structure to *Mega Millions*. The prize expense for *Lotto Plus* in FY 2003 was 75%.

Due to the vulnerability of the game's profitability, and in response to complaints from customers who preferred the traditional single-pool format, *Lotto Plus* was discontinued and the traditional *Lotto* game was reintroduced in October 2003. The result on volume of spending has been a reduction in sales in *Lotto*, with much of the sales shifting to *Mega Millions*. Prize expense has been managed to 50%, and consequently the net win is about the same as it was when the game sold twice as much volume with a 75% prize expense. Any further reduction of prize expense, however, would result in a greater reduction in sales and a negative impact on profits.

Since 1990, the Lottery has had a "cash *Lotto*" game in which players win the top prize by matching the Lottery's *Draw* of five numbers. The Quinto (5 of 52) version of this game could not be managed to a prize expense less than 70% in recent years, and was poorly differentiated from the *Lotto* game. Hit 5 (5 of 39) replaced Quinto in March 2007. Hit 5 is differentiated from *Lotto* by having a lower top prize (typically less than \$300,00) and by

paying this prize much more frequently (more than 40 times per year). Hit 5 produced nearly double the profit of Quinto in its first year.

The number of people playing Lotto has been fairly stable since 2005, and the number playing Mega Millions stabilized in FY06 following introduction of the game in FY03. Hit 5 playership was initially comprised mostly of players who transferred from Quinto.

- **Instant games**

Instant (*Scratch*) game sales have increased in each of the past several years. *Scratch* games now account for about 65% of all Lottery sales.

Washington *Scratch* tickets range in price from \$1 to \$20. The premium-priced tickets feature bigger top prizes and more variety in appearance and style of play than the lower-priced tickets. Prize expense for *Scratch* games ranges from about 60% on the \$1 tickets to 76% on the \$20 ticket.

The growth in *Scratch* sales between 2003 (when the \$20 ticket was introduced) and 2007 has not been due to selling more tickets, but to selling a similar or smaller number of tickets at a higher average price. Sales of \$1 and \$2 tickets declined in this period, while sales of higher-priced tickets increased. Consequently, prize expense as a percentage of sales has increased to 68 %.

The number of active *Scratch* customers declined slightly each year from 2004 to 2006. In 2007, the Lottery changed the prize structures of the tickets usually bought by first-time players (\$1 and \$2 tickets) in an attempt to increase retention of players and eventually grow the player population. The decreasing trend in consumption of these tickets has stopped. *Scratch* and Lotto remain the most widely-played Lottery games, with about 26% of the eligible population playing either game in the last twelve months.

- **Overall trend in playership**

Many customers play multiple Lottery games. Current figures indicate that about 41% of the eligible population in Washington has played some Lottery game in the past six months. Most of these have played both *Scratch* and *Lotto*.

The fact that most players of *Draw* games also have experience with *Scratch* helps us understand the balance between these two game categories. Research indicates that people play *Draw* games for the large jackpots, while participation in the *Scratch* games is mostly about actually winning small prizes. What we have seen is a trend of players' spending following their actual experience. Customers have responded to the much more abundant winning experience in *Scratch* by moving their spending from *Draw* games to *Scratch* games.

Hit 5 was designed to provide wins on about 11% of its plays, and this level of winning appears to have been well accepted by *Draw* game players.

With the understanding of these trends in customer characteristics, the Lottery is presented with the challenge to consistently present core games in a fresh manner with the use of advertising and promotions. The Lottery needs to develop and monitor new games that provide a winning experience and satisfy customer expectations.

Human Capacity Assessment

- The Lottery is experiencing higher than historical turnover. In the last year we have seen our turnover rate go from 4 percent in Fiscal Year 2007 to 21.6 percent in the first three quarters of Fiscal Year 2008. The reasons are varied; opportunities with private-sector employers for higher salaries, promotional opportunities within state service, resignations due to perceived work/life balance issues (the Lottery is running with the same level of FTEs as when we started in 1982), and retirements are the main reasons people give when leaving the Lottery. This becomes a risk when we consider retirement eligibility and movement away from the agency. In the last five years, the Lottery has averaged 3.6 retirements per year. In the next two years, 24 of our 144 FTEs will be eligible for retirement. Adding to the risk is the fact that approximately 45 employees have less than one year of experience either with the Lottery or in a new role with the agency. Many of these employees are still in a learning mode, which can lead to capacity and depth of knowledge issues. Succession planning will be crucial for successfully managing the loss of key staff. In addition, the Lottery's performance-based culture will strengthen our ability to retain high-performing employees.

One of our strategic goals is to develop and implement an employee retention program to help reduce the high turnover rate, but we, like all agencies, will be faced with significant retirements. The Lottery began its succession planning efforts in 2004, and we plan on enhancing our program in the coming years. Succession planning is addressed elsewhere in this plan.

Internal Resource Assessment

The Lottery's 2007 Employee Survey results show an overall average score of 3.91 out of a possible 5.0, which is very close to the average response of 3.95 in our last survey conducted in 2006.

Two areas in which we improved are:

- My supervisor gives me ongoing feedback that helps me improve my performance;

FY06 - 3.70

FY07 - 3.76

- My performance evaluation provides me with meaningful information about my performance:

FY06 - 3.62

FY07 - 3.75

The key reason for this improvement is our focus on accountability and performance to individual and agency goals through our Performance Management Program. This program requires quarterly feedback for all employees, which we believe has enhanced communication between employees and supervisors.

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The areas for improvement are

- I have the tools and resource I need to do my job effectively.

FY06 – 3.94

FY07 – 3.62

- I receive the information I need to do my job effectively.

FY06 – 3.86

FY07 – 3.64

We believe these scores reflect both workload and learning curve issues. Our current and future Strategic Plans (FY09, 10, and 11) address these issues. We also believe the agency's current internal communications strategies, which include daily stand-up meetings, weekly written communications from all divisions, and quarterly all-staff meetings, are improving staff experience in these areas.

The Lottery has implemented a daily morning meeting so that we can better communicate with staff. Many of the tools staff refers to is our outdated computer systems, we have submitted a decision package to help address this issue.

Strong mix of staff with private and public work experience

The Lottery works like a private business but operates under state guidelines. We have a good mix of staff that lends itself to productively operating in the dual arenas.

Performance Assessment

Our strategic goals:

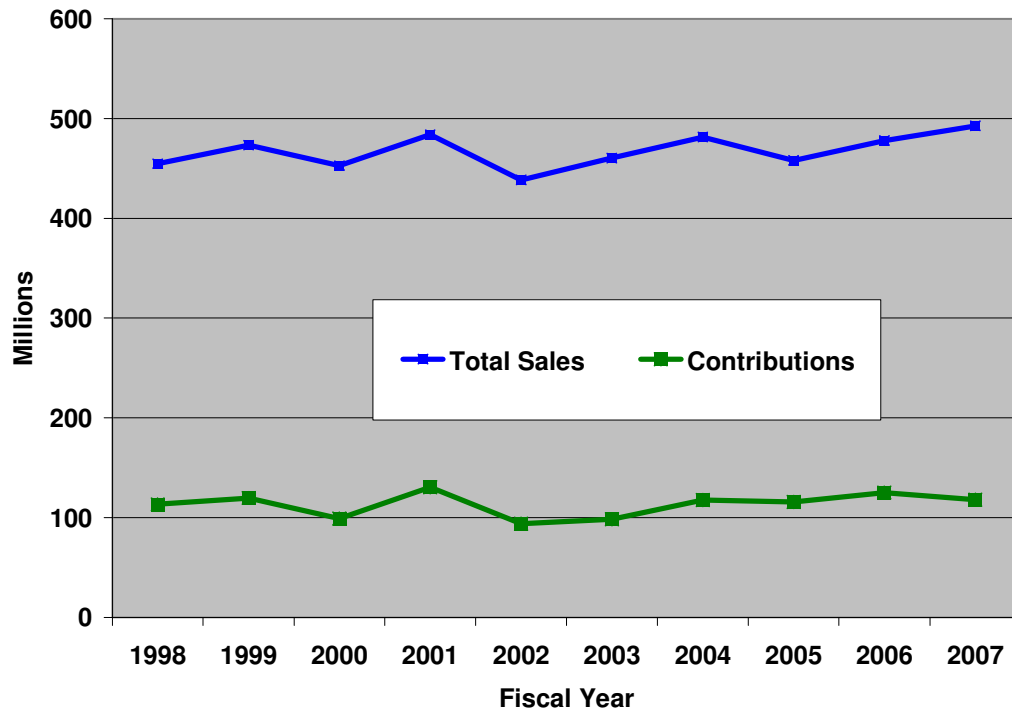
- Attract and retain quality staff
- Maximize net revenue
- Drive Sales
- Grow Lottery Player Base
- Grow a stable, predictable retailer base
- Position Lottery for the future
- Create a stable game portfolio
- Provide value to our stakeholders

The Agency's FY08 contributions are projected to meet its goal of \$102 million to Education Construction and will contribute approximately \$5 million (not final until audited) to the General Fund. Overall sales are projected to be at 99.8% of budget. The Product mix plus lower expenditures than budgeted will produce the contribution goals.

A 10-year view shows notable year-to-year variation in both Lottery sales and contributions.

Year-to-year variation in sales is superimposed on a gradual increasing trend.

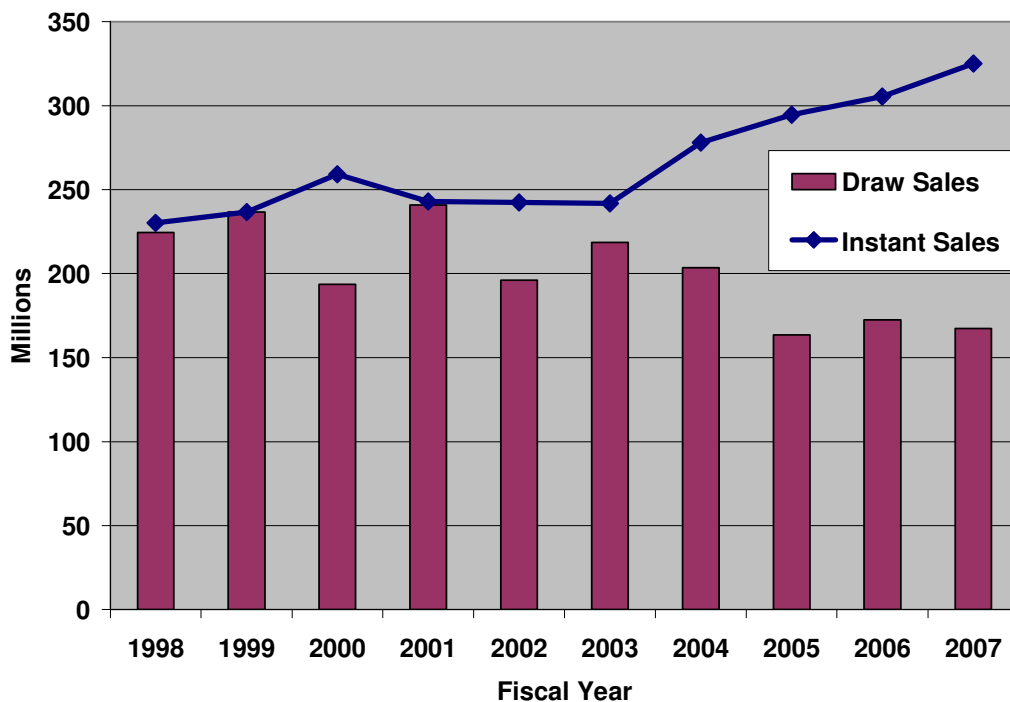
Ten Years of WA Lottery Sales and Contributions



With regard to contributions, the year-to-year variation tends to mask any trend.

This picture is more easily understood by considering the sales of *Draw* and Instant (*Scratch*) games separately.

Ten Years of WA Lottery Sales: Instant and Draw



The variability in contributions can be understood in terms of the variable prize expense of the in-state *Draw* games as they were managed before FY2004 (as described above under Customer Trends).

Draw game sales reached notable highs in FY1998, 1999, and 2001. The detailed record shows that unusually high jackpots in the *Lotto* game occurred within each of these periods. Within FY2000, no remarkable jackpots accumulated. The *Draw* game record from 1998 through 2002 can be understood as showing the inherent variability in results of a big *Draw* game, especially one in which the increase in size of the jackpot is not tied directly to sales. The variation in contributions during this same period is directly due to *Draw* game performance. Very high *Draw* game jackpots imply long-running games in which sales far exceed the jackpot eventually paid, resulting in high profit margins. In more typical years, profits are lower.

The introduction of *Mega Millions* to the *Draw* game portfolio and changes to the *Lotto* game around the same time caused an increase in *Draw* games sales in FY2003 and a decline thereafter, as discussed in more detail above. During this same time, the prize expense of the *Draw* games came under better control. The decline in *Draw* game sales, therefore, did not contribute to a corresponding decline in contributions.

Instant games sales have increased in two phases, each corresponding to a period of product differentiation. Most recently, the introduction of the \$20 ticket in FY2003 coincided with the rebound of Washington's economy from a three-year slump. Since 2003 Scratch sales have grown along with the economy (as indexed by retail sales tax receipts: Scratch sales increased 37% from 2003 through 2007, while retail sales taxes increased 39%). However, during this

period the industry has emphasized a shift to higher-priced tickets. Growth in contributions has been more moderate, since the higher-priced tickets also have higher prize expense.

Financial Health Assessment

The Lottery's financial health is best measured by its ability to meet its contribution mandates and goals. In terms of traditional financial health measures of assets available to satisfy liabilities and provide adequate operational cash flow, the Lottery is very sound financially.

All Lottery assets are held in anticipation of future contribution to its beneficiaries. Current assets are adequate to satisfy current liabilities. Long-term liabilities, consisting primarily of future annuity payments to winners, are fully collateralized by securities purchased for that purpose. The Lottery does not have, nor is it anticipating, any long-term debt.

The ability to meet future financial goals is greatly dependent on the ability to generate future sales of lottery products. Approximately 95% of operating expenses are variable with revenues from sales. Other expenses, including administrative expenses, research, advertising and promotion are closely managed to reflect a prudent spending plan for the success of the Lottery.

WASHINGTON'S LOTTERY
FY2010 and 2011 Strategic Plan

Where do we want to be?

Vision: Washington's Lottery: Leader in public value, first in fun.

**WASHINGTON'S LOTTERY
FISCAL YEARS 2010 -2011
STRATEGIC PLAN**

1. Attract and retain quality staff

- a. Increase the value of employment at the Lottery
 - i. Assign amount and type of work balanced with capacity
 - ii. Implement enhanced agency recognition program
- b. Maintain a performance management culture
 - i. Continue/evaluate/enhance agency performance management program
 - ii. Develop a retention strategy
- c. Increase staff development
 - i. Enhance/measure individual training programs
 - ii. Develop and implement succession plans for key staff

2. Maximize net revenue

- a. Decrease the cost of each contribution dollar
 - i. Continue to evaluate/refine advertising cost and effectiveness
 - ii. Refine and implement/measure promotional standards
- b. Increase game profitability
 - i. Continue to review and adjust prize expense and structure of all games for best performance
 - ii. Increase draw game sales
- c. Increase efficiencies and effectiveness of Lottery programs
 - i. Implement new software programs
 - ii. Develop and conduct training
 - iii. Continue evaluation/implementation of procedures and processes
 - iv. Continue to analyze/measure value of promotions
- d. Increase vendor financial/resource support
 - i. Analyze current contracts for service value
 - ii. Continue to conduct regular vendor meetings that are focused on net revenue

3. Drive sales

- a. Increase same-store sales
 - i. Continued sales division focus of being a customer/business consultant
 - ii. Execute and analyze individual store promotions
 - iii. Implement an enhanced merchandising program

- b. Increase efficiencies of Scratch inventory management
 - i. Implement UPS recommendations
 - ii. Enhance Pro-Ship system
- c. Increase incremental sales
 - i. Analyze and revise state-wide promotions
 - ii. Recruit new trade styles
 - iii. Analyze and revise promotions to attract new players

4. Grow Lottery Player Base

- a. Increase frequency of play among monthly and less-than monthly players
 - i. Analyze and continue advertising that reflects our growth customer
 - ii. Implement revised winner awareness program
- b. Increase the awareness and positive attitudes about the Lottery by the citizens
 - i. Produce positive advertising messages
 - ii. Increase awareness of where the money goes
 - iii. Expand our program of media outreach
- c. Increase new players
 - i. Analyze and refine programs
 - ii. Market to identified segmentation sectors

5. Grow a stable, predictable retailer base

- a. Increase value/relevance we bring to retailers, especially corporate accounts
 - i. Develop programs that will make the Lottery more profitable to retailers
 - ii. Develop/implement co-op promotions
 - iii. Present Lottery as a business partner
 - iv. Consistently evaluate new trade styles
 - v. Continue to participate in NASPL corporate account development

6. Position the Lottery for the future

- a. Increase number of business models (e.g., Self-service, Kiosks, etc.)
 - i. Conduct research/establish budget
 - ii. Pilot program analysis
 - iii. Incrementally implement new programs
 - iv. Analyze results of programs adjust if needed
- b. Increase opportunities
 - i. Review statutes and consider agency-requested legislation
 - ii. Explore non-traditional partnerships
 - iii. Continue to evaluate new games

7. Create a stable game portfolio

- a. Maintain base product
 - i. Greatest portion of agency resources focused on core products
- b. Increase relevancy of games (positioning)
 - i. Develop/implement product attribute marketing/advertising
- c. Increase line extensions within our Scratch and Draw game portfolio
 - i. Implement line extensions/developments
 - ii. Continue to analyze vendor recommendations
- d. Increase development of innovative promotions
 - i. Research and analyze player interests
 - ii. Refine promotions

8. Provide value to our stakeholder

- a. Increase value/relevance we bring to players
 - i. Improve winning experience
 - ii. Continue “where the money goes” messaging
 - iii. Continue new winner awareness program
- b. Increase value/relevance we bring to Public Officials
 - i. Continue legislative outreach/relationships
 - ii. Continue communication with Governor and staff
 - iii. Outreach to other public agencies
- c. Increase value/relevance we bring to beneficiaries
 - i. Continued support of problem gambling awareness
 - ii. Enhance our relationships
- d. Increase value/relevance we bring to community groups
 - i. Increase speaker’s bureau engagements
 - ii. Expand the economic story of our retailers/community value
- e. Increase citizen support of the Lottery
 - i. Enhance Lottery transparency
 - ii. Enhance responsible gaming programs

Strategic Assessment

The Lottery’s strategic goals were developed using its strategic assessment to help in the identification of risks, obstacles and opportunities.

Risks

- **Rapidly changing buying practices**

“Big Box” stores are accounting for a large and increasing amount of both customer visits and spending. To a notable degree, these stores are diverting traffic and spending away from the supermarkets and convenience stores that are the Lottery’s main retailers. Big Box stores have, up to this time, not been receptive to proposals to become Lottery retailers themselves due to the perception that Lottery does not fit with their business style, the lack of uniformity of business practices among the 42 lotteries and/or moral objections. The Lottery is a member of the NASPL (National Association of State and Provincial Lotteries). The Lottery is actively involved in a NASPL sub-committee that is developing plans on how to recruit one or more of these “big box” stores.

- **Core customers aging**

The demographic trends projected for the next several years tend to focus attention on the continued importance of the maturing population segments. The age segment 55 to 64 is expected to comprise 16% of the eligible population in 2010 (up from 14% in 2005). The 35-54 age segment is expected to shrink from 40% to 37% of the eligible population, while other age categories are expected to remain constant. In absolute terms, the over-55 population is expected to expand from about 1.37 million people currently to 1.64 million in 2010, a 20% increase.

This demographic change may have an impact on sales from the Lottery’s portfolio of products.

Most Lottery customers fall into the broad age category of 35 to 54. More than 50% of faithful *Scratch* players are in the 35 to 54 age category, while more than one third of weekly *Draw* game customers are in the 55 and over age category.

If, as customers age, they carry their play habits with them essentially unchanged, then we can expect to see a gradual shift in the demographics of *Scratch* play in the near future, with mature customers accounting for more of the spending. On the other hand, if customers change their style or frequency of play as they age, then we may see mature customers shifting toward *Draw* games. The “longer odds, bigger prize” value proposition of *Draw* games may be inherently more appealing to mature customers. Whether these individuals will change the amount they spend is uncertain.

- **Relationships and communication with stakeholders**

Although the mission of the Lottery is clearly economic, specific mission objectives have often been misunderstood by stakeholders. Now and into the future the Lottery needs to maintain and enhance existing relationships, develop new relationships and broaden its outreach efforts to the greater public.

As a sales and marketing organization, research is an important core process. Information revealed by research should not be misinterpreted as the Lottery’s initiatives for the future, but rather should be viewed as necessary for the Lottery to achieve a fundamental understanding of the market and market conditions for its competitive value. It should be the Lottery’s primary concern that the dissemination of research results is not misunderstood as its position. As such, developing and maintaining a relationship with the Lottery stakeholders, including the legislature and legal staff, is of primary importance.

- **Limited new product offerings**

Some products that have been introduced successfully by lotteries in other states are prohibited under current Washington law. Examples include any *Draw* games that require drawing more than once per day and interactive electronic devices.

Development of new products by the relatively few vendors that supply the worldwide lottery industry is focusing more intently on games that are restricted under current Washington law.

Decreasing playership

Lottery *Scratch* games have experienced a downturn in playership even as sales have increased; the rate of recruiting new players has not balanced losses. *Mega Millions* playership and sales increased somewhat, but this trend was not enough to offset the downturn in *Lotto*, and the net result has been a decline in playership.

- **Loss of revenue to Internet gaming**

The explosion of Internet gaming has created a major market. This vast and unregulated industry potentially diverts significant spending away from state lotteries, estimated at \$6 billion annually in the U.S.

With limited resources for advertising, the Lottery faces constant challenges to maximize its advertising efforts.

The Lottery, like any consumer good, competes not only for sales, but for share of mind. Consumers are bombarded with thousands of messages every day. We know that most consumers see Lottery products as an impulse item. The job of Lottery advertising and promotional activity is to encourage Lottery purchase by our consumers as they walk into the store.

The Lottery spends roughly 2.3% of gross revenue on advertising. Compared to other industries competing for expendable income dollars, it is clear that competition for advertising “share of mind” is fierce. Refer to the table below*

Amusement parks	9.6%	Games, toys, etc.	8.8%
Apparel	4.3%	Consumer packaged food	11.1%
Beverages	9.0%	Perfume, cosmetics, etc.	7.2%
Department stores	3.5%	Tobacco products	4.3%

*Marketing Today, February 2006. Information pulled from “Advertising Ratio’s and Budgets” 28th Edition, Schonfeld & Associates, Inc.

- **Knowledge loss due to a large number of employees who are eligible for retirement**

In the next five years, approximately 49 employees, or 34% of the Lottery’s workforce, will become eligible to retire. Of these, 21 are District Sales Representatives (DSRs), who provide direct service to our retailers. The Lottery relies on having knowledgeable DSRs in the field in order to continue meeting our sales and contribution goals. In addition, several employees who will be eligible to retire in the next five years have specialized knowledge and/or skills that will be difficult to replace without a loss in productivity.

Obstacles

- **Multiple beneficiaries**

Ongoing research conducted for the Lottery shows that where our proceeds go affects both how people feel about the Lottery and their decision whether to buy tickets. To the degree that Lottery proceeds are known to benefit widely-supported programs, both general acceptance and sales would be expected to benefit.

Having multiple beneficiaries makes it difficult to explain where Lottery proceeds go. This represents a lost opportunity to generate customer loyalty and potentially increase revenues. Many lotteries around the country have single or narrowly-focused beneficiaries that are easier for citizens to understand and support. Lottery tracking studies suggest that citizens would play, or play more often, if they knew their money was going to support a better-defined, narrowly focused beneficiary.

In addition, many lotteries have beneficiaries that are supportive of their efforts. This support may appear as messaging in advertising, recognition in annual reports of those beneficiaries, appearance at events hosted by the lottery, etc. This signals a positive relationship between the beneficiary and the provider in a transparent process that helps demystify the question of “where the money goes”. Tracking study research indicates that about 30% of current customers are aware that Lottery proceeds go to fund education. Only 20% of non-participants were aware of this fact. This suggests that, on the whole, only about a quarter of the Washington population is aware of where most proceeds go.

- **Complicated story of where Education dollars go**

Citizens want to know exactly where Lottery dollars go and specifically, where in their ‘backyard’ (e.g., “\$10 million Lottery dollars were contributed to the construction of this school.”).

A majority (about 55%) of active Lottery customers say that knowing where the money goes affects their choice to buy or not to buy Lottery tickets. Beneficiaries pinpointing specifically where Lottery revenues for Education were used in local communities would help customers understand how the funds are applied, which would potentially encourage sales, and most importantly, clearly show how our proceeds benefit education. Clarity of message will help improve the support for Lottery products.

- **Interstate big box retailers and industry accounting/business standards**

Preliminary research indicates that large interstate retailers will require a common or unified lottery operation process (invoicing, handling, redemptions, etc). Under the guidance of the North American State and Provincial Lotteries (NASPL), an effort has been launched to create a standardized process of financial and operational reporting to multi-state retailers. This effort will unavoidably be a long-term project greatly affected by advancing technology.

Opportunities

Several opportunities have been identified that will help the Lottery achieve its overall Strategic Plan.

- **Promote Lottery gaming system capabilities to other state agencies**

Promoting our new gaming system capabilities to other state agencies will contribute to strengthening the state's operational effectiveness and lend itself to expanding our strategic outreach.

The lottery network provides a very large footprint across the entire state, supporting sales at nearly 4,000 retail locations. GTECH provides state of the art point-of-sale (POS) terminals and digital signage, connected via a high speed network with many retail locations linked by satellite.

The Lottery's POS terminals have expansion capabilities and could offer new state services such as license renewal, local or state tax payments, print on-demand coupons, or even pre-paid gift cards. The development of such capabilities is only limited by vision, desire and the budget to execute.

The Lottery's digital signage solution has capabilities to send messaging across the entire state or to select locations. An example is the support for Washington State Patrol's Amber Alerts. The system helps increase awareness by distributing vital information to a network of 4000 retailers in a timely manner.

The system could be used to communicate various State-approved messages such as: emergency information and disaster instruction, school closures, mountain pass information, and flood or fire watches. The Lottery's new system needs to be fully explored to ensure that its technical capabilities are fully optimized for the benefit of Washington's citizens.

The Lottery's new VSAT satellite network was designed as a platform for growth that can be expanded as the Lottery increases its business needs into the future. New locations can be easily added to the network to expand coverage, and the amount of bandwidth that is supported across the network can also be increased to support new applications and services.

- **Continuous review and implementation of lottery best practices**

Continuously monitoring lottery best practices will enable us to develop new games and markets, strengthen operational effectiveness and expand the Lottery's strategic outreach.

- Review and research the accounting, sales, marketing and promotion processes for Lottery improvements.
- Analyze other states' lottery beneficiaries and how they help to increase sales and profits.
- Review and analyze other lottery *Scratch* and *Draw* games for possible developments to our product portfolio.

- **Favorable attitudes even among non-customers**

Building on the generally favorable attitudes towards the Lottery will be beneficial in strengthening our operational effectiveness and maximizing our public value.

Multiple tracking and segmentation studies conducted for Washington's Lottery show that almost one third of eligible residents play Lottery games. Among those who do not play, a minority are opposed to gambling in any form. A large group of non-customers supports the view that "the Lottery is a harmless form of entertainment." Non-participants who hold this favorable view of the Lottery comprise more than 20% of the Washington population.

- **Sales locations in addition to the retail environment**

Developing the distribution of Lottery products outside of the traditional retail environment will work towards developing new games, players, and markets.

The gaming market in Washington has expanded tremendously during the past 10 years, and the expansion has been based on “new” (previously unavailable in Washington) gaming experiences offered by card rooms and tribal casinos. The opportunities that this presents to the Lottery are: 1) to offer products that are suitable for the retail distribution channels within our authority, and 2) to leverage the advantage of convenience that the Lottery holds over specialized gaming venues.

- **Expand our retailer network**

Increasing our retailer base will provide better visibility and accessibility of the Lottery. This will enhance our public value as an economic driver for our retailers and the citizens of Washington State, in addition to enhancing our ability to drive revenues for beneficiaries

Research shows the national average of population to retailer is approximately 1400 per capita per retailer. The most successful State Lottery revenue programs average about 1100 per capita per retailer. In 2006 Washington State averaged about 1700 per capita per retailer.

Since 2006 the lottery has been successful in increasing the total number of retailers from 3400 to over 4000. This is an increase of 17.6 percent. This increase was accomplished without sacrificing sales of Retailers opened prior to 2006. The additional new Retailers will start returning incremental revenue as they mature in the coming years. Currently, Washington's Lottery has an average of 1575 per capita per retailer and there is clearly more room for retailer growth given the national average.

However, to capitalize on the opportunity for retailer growth and therefore revenues, the Lottery is limited by its FTE capacity or staff numbers. The ratio of accounts per District Sales Representative has increased with new retailer growth. The Lottery must cover an increased number of retailers with the same number of staff. Barring efficiencies that can be or have been created there is a limit to how many retailers an individual representative can maintain while achieving a superior level of service as a business consultant. Providing a reasonable ratio of accounts per representative to ensure quality service is a prime concern related to growth.

There may be other opportunities. Our retailer network can be expanded by offering a variety of hardware solutions and/or business agreements (e.g., leasing retail spacing from retailers instead of paying commissions, Lottery kiosks, and new equipment styles). This creates alternative business models that are only limited by creativity, legal application and FTEs necessary to explore these models.

In addition, the Lottery is a unique product that can be used as a promotional tool in many business trade styles. This allows our retailers to custom-design Lottery promotions that support their overall business goals. In turn it supports the economic vitality of the State by creating incremental business revenue, employment and disposable income for many.

- **Promote business-to-business sales** (bulk sales, fundraising, recognition packages, etc.)

There is an opportunity for increased awareness and incremental sales of Lottery products through a direct sales channel. Through a continued direct mail program, the Lottery can

reach key business decision-makers and promote Lottery products as part of incentive rewards, recognition programs, customer appreciation, and other events.

- **Increase marketing and promotions capability with new gaming system**

The Lottery's gaming system is instrumental in optimizing our product and maximizing public value.

The system allows multiple promotions to run at the same time – allowing for statewide, regional, corporate, and/or individual retailer promotions.

The system has tremendous potential for messaging/advertising. The system will allow us to explore partnerships with the intent of messaging for the public good, i.e. other state agencies or commercial partnerships with intent to cross-promote our products with other companies.

The system has the capability to develop, generate, and track coupons intended to increase the trial of Lottery products and produce a higher average number of transactions.

All of these capabilities – in addition to the flexibility of adding new points of distribution within the retail environment – are intended to boost Lottery sales and profitability.

- **Improve positive public perception**

Focusing on positive public perception is a key element of the Lottery's Strategic Plan.

Clear communication and a focus on building strong stakeholder relationships will propel the Lottery into the future. Reaching out to members of the education community, the legislature, other state agencies, and the business community are all key to maintaining or growing public perception.

Many adults (60%) in Washington State base their perceptions about the Lottery on where the Lottery's proceeds are directed. To clearly communicate where Lottery dollars go will be critical in increasing public perception for the Lottery.

In addition, it is important that the Lottery continue to be a leader in community involvement throughout the State. The Lottery recognizes that consumers decide to patronize a business for a variety of reasons – some make their decision solely on community involvement and corporate responsibility. Therefore, it is important for the Lottery to continue to be a leader in community involvement throughout the State. This includes sponsorship of local fairs and events which provides the Lottery with the opportunity to develop positive partnerships with communities across the State. In addition, sponsorship of fairs and events provides the Lottery with an opportunity to interact with the public one-on-one, sharing information about the products we offer and where the money goes.

Sharing winner's stories is a critical piece of building positive public perception. Generating publicity about winners is the Lottery's proof of performance. Every time a citizen sees someone win the Lottery they know that revenue is being generated and dreams do come true. Further, when they see that those winners are people just like themselves they realize they could be Washington's next big winner and their inclination to buy a ticket becomes stronger. Generating publicity and awareness about people from all areas of the state winning the Lottery tells the customer that anybody can win. In addition, winners tell the Lottery story better than anyone.

- **Build and enhance strategic partnerships**

The Lottery will build and nurture partnerships with stakeholder individuals, agencies, organizations and businesses through continued outreach efforts. Appropriately promoting and highlighting relationships/partnerships will help achieve and maintain positive public value.

- **Tell the story of Washington's Lottery in clear, compelling, and relevant examples**

The public needs to be exposed to the benefits and positive impact that the Lottery has on the State in order for us to maximize public value.

The story of Washington's Lottery - its benefits and impact - is one that should be easy to understand and relevant to citizens' lives. Providing real, compelling and, when possible, local examples of where Lottery revenues go and how they impact Washington citizens will help residents and lawmakers understand and support their state Lottery. Citizens know that a state-wide Lottery should have state-wide impact and using local examples encourages a personal and potentially emotional connection with the customer. The story should be told in plain language and short, simple anecdotes of 'product sales-to-public revenues'. By showing accurate and relevant examples of the benefits of Lottery dollars to beneficiaries, businesses, and winners, citizens are able to be more informed of how Lottery proceeds benefit Washingtonians.

Every opportunity will be taken to provide citizens with information about the effectiveness of Lottery operations in order to encourage recognition of the Lottery as an efficient state agency. Such examples are easy for customers and stakeholders to remember and relate to others, thereby turning audience members into ambassadors.

- **Increase per capita sales**

In the Lottery's Strategic Plan, it is a goal to create a stable game portfolio. This, in part, refers to the necessity to continually monitor our game portfolio and to make sure that every game delivers as much revenue to our beneficiaries as possible. The Lottery must reengineer any games that are, or become, less profitable over time - even high-volume products.

Sales of *Scratch* products are on an upward trend at Washington's Lottery, as at most lotteries. Since we are giving marketing support specifically to *Scratch* as a product line, and since we have a relatively low sales (spending) per capita (\$50.90 per capita in FY 05), we anticipate this trend to continue through Fiscal Year 2008 and 2009.

Per capita spending refers only to gross revenue, and does not necessarily highlight anticipated profit. *Scratch* products have the lowest designed profitability of all lottery products. With the volume of *Scratch* sales expected to rise for the foreseeable future, we anticipate that careful attention to profitability will be necessary in order to assure that increases in profit result from this trend.

Operational Production Plan

Facilities: Examine risks of single-points-of-failure

In order to strengthen the Lottery's operational effectiveness, we must continually enhance existing processes and systems.

Please refer to attached Risk Assessment Plan.

Succession Planning

One of our key strategies for the next two years is to enhance our current succession planning for key staff. We have been reviewing other agencies for best practices. We believe strengthening our succession plan will help the agency to maintain strong performance in the face of increased turnover.

Succession planning helps address future gaps by systematically placing staff on a development path now that will prepare them to easily move into jobs with higher-level responsibility in the future.

In a global sense, the Lottery does an excellent job of identifying and developing high-performers. The agency offers training opportunities to develop skills for advancement. The Lottery also encourages participation in activities that expose staff to projects and activities that are at a higher level, with a broad perspective, such as strategic planning, return on investment determinations, etc.

For Lottery-specific succession planning, the agency has engaged in planning for management-level succession. The agency is working toward a more formal plan in place for management positions as well as broadening this plan to encompass agency-specific positions in the front lines. Specifically, the agency plans to put more emphasis on developing employees for promotion to direct-service positions, such as Lottery District Sales Representatives.

Another avenue the Lottery has taken is the development of a performance-based culture. Lottery has received performance management confirmation, which will strengthen the agency through accountability and reward. Each employee understands the connection between his or her job and the agency's overall goals, which are detailed in the Strategic and Business Plans. Through this program, employees' expectations are specifically linked to the agency's priorities, and the success of the organization is a shared responsibility of employees and managers. This culture enhances the effectiveness of the agency and strengthens the level of accountability and commitment of staff at all levels.

Agency Activity List

The Lottery is requesting a change to our activities. We have been informed by OFM that this request will not be approved until after June 2008. The Lottery will submit our new activity list with our budget submittal in August.

Washington's Lottery Marketing Plan 2010 – 2011 Biennium

The Lottery's Business and Strategic Plan, as set forth above, is the platform from which our Marketing Plan will be launched. The Washington's Lottery Marketing Plan for the 2009-11 biennium is presented on the following pages.

Data Sources

The Lottery *Draws* on information from a number of sources to support its efforts to develop, position, price, and promote products. The most fundamental level of information is derived

from our own business enterprise: games have a history of sales, and retail locations have a history of selling games; we can learn a lot by understanding both the general trends in purchasing and the exceptions to these trends. Often understanding the trends requires not only the Lottery's enterprise data, but insight into customer attitudes and needs.

Between FY2003 and FY2007, the Lottery maintained a tracking study that obtained detailed attitudinal information from about 2000 Washington residents each year. The tracking study provides a basis for understanding how many people play our games and how customers and non-customers alike view the Lottery. In 2005, this substantial bank of information was supplemented with an independent, one-time survey of about 1300 Washington households that participate in other consumer research. In this way, peoples' attitudes toward the Lottery and its games were correlated with their shopping, entertainment, and information practices.

In FY08 the tracking study was expanded in transition to a new research vendor, and sampling was stepped up to about 3600 residents per year. The combination of enterprise data and survey data provides a basis for understanding what customers want in a product. This allows us to develop and position products calculated to appeal to defined audiences. When such products reach a prototype stage, there may be a number of possible alternative ways to present or promote the products. To decide among specific alternatives, it is useful to expose the alternatives to potential customers in a qualitative research setting, where reactions to the concepts can be compared. Often, information gained at this stage can greatly improve the effectiveness of the marketing effort. Further, by knowing more about the shopping, entertainment, and information practices of the audience, it is possible to make better decisions about where and when to advertise the products.

To monitor these broader consumer trends, the Lottery relies on subscriptions to consumer-research services rather than conducting any original research. Publicis, the Lottery's prime marketing contractor, also provides excellent consumer awareness.

Distribution Channels

The Lottery currently has nearly 4,000 retailers, all of whom are required by law to sell other products besides Lottery tickets. The retailer network is less per capita in Washington compared to many other states, but growing due to our concentrated efforts to recruit new accounts. We are studying the relationship of Lottery products to sales of other products, in an effort to better understand what makes a retailer an effective seller of Lottery products. We expect that this understanding will aid the effort to engage new retail partners to the network.

Marketing Activities

The Lottery develops an annual Marketing Activity calendar (Attachments D and E) that outlines major promotional activities and initiatives for each fiscal year. These tactics are, generally speaking, designed to maintain broad awareness of Lottery products, promotions, and public relations efforts.

Learning from current experience is a main emphasis, and the Lottery constantly evaluates the effects of significant advertising and promotions. Immediate effects on sales are both a desired endpoint and potentially an indicator of longer-lasting effects. Particularly in the case of advertising, which requires a considerable effort, it is important to understand the long-term

benefits that can be expected to result. The Lottery Has currently implemented a quarterly vs. annual advertising tracking to measure recall and awareness. Additionally we measure sales effect before, during and after our campaigns.

Going forward in fiscal 10/11, the lottery will focus on returning emphasis to our key product portfolio. Approximately 70% of our resources will be spent providing responsible, compelling messages to citizens featuring the ‘fun’ and value’ of playing Washington Lottery Games. In the attached calendars is our fy/09 advertising and activities plan, which we will modify, based on FY09 results.

In FY 2010 - 2011 we will continue our promotions/advertising focus on core games, while increasing awareness of the different products and product propositions in our portfolio. We will also continue our presence/promotions at key state fairs to reach a broad cross section of Washington citizens. We will continue our sponsorship of both local and major league sports teams for advertising awareness and local visibility.

We will continue our Brand Advertising of the Washington Lottery, to inform citizens of the possibilities and benefits of playing the lottery.

Please see the Attachments D and E, FY 09 Marketing Promotion and Advertising Timelines, as examples of the possible timelines for FY 2010-11.

Current Trends

In order to maximize our effectiveness – and therefore return the greatest amount of revenue to our beneficiaries – we must stay current on industry trends. We must be aware and respond to trends in playership, consumer attitudes, product sales, profitability, the retail industry, the Lottery industry, marketing, and our competition. This requires the Lottery to constantly seek, collect, analyze, and interpret data – and to apply the learning as we move forward.

Trade Styles

Efforts to expand retailer trade styles, thereby increasing sales and net revenues, include the Department of Licensing sub-agents, book stores, large chain stores, social establishments, drive-in auto services, coffee shops, automobile dealerships and other potential venues. Primary characteristic of a successful Lottery retailer is a sizable and consistent customer base.

Methods used to encourage partnerships with these trade styles will include the use of product development specific to new trade styles, promotions and incentives, new product lines, and a coordinated effort by other jurisdictions, vendors and partners to create a customized business model for national chain accounts.

Product Portfolio

The current product portfolio contains a range of traditional lottery products. Research has identified opportunities to improve the *Draw* game portfolio by: 1) more clearly differentiating the games from one another, 2) providing winning experience sufficient to sustain steady play, and 3) providing incentive to increase participants spending within each game.

Toward the end of FY07, the new game Hit 5 replaced Quinto in the lineup. Hit 5 was better differentiated from Lotto by offering a significantly smaller prize that is won dramatically more often (nearly once per week). About 11% of all bets in Hit 5 are winners. Hit 5 has developed an avid playership and brings in much more gross revenue and profit than the game it replaced. It has potential to grow as it becomes better known. Through out 10/11 we will continue advertising to support the Hit 5's product proposition. Increasing awareness via advertising has shown sales increases. And we will continue this approach through FY 10/11.

In FY09, the new game Match 4 will be launched. This game continues development along the same lines: its top prize is distinctly smaller and easier to win than that of Hit 5. We expect to pay a top prize nearly every day. The overall frequency of winning is the same as Hit 5.

There are other opportunities that are specific to existing games. Some key opportunities are shown below.

- *Mega Millions*: Incentivize increased spend by providing *Develop* a multiplier option for lower-tier prizes.
- *Lotto*: Incentivize increased spend by providing *Develop* an option to play for an add-on jackpot in addition to the base game.
- *DrawDaily Game*: Pick-three games are very successful east of the Mississippi; however, they have not caught on significantly in the West. It may be possible to increase sales of this very profitable game by focusing *Draw* on a simplified presentation of its key values.

The Instant game portfolio contains a great number of games, differentiated to a large and visible degree by price and top prize, which are prominently advertised.

Ticket Price	Typical Top Prize	Any Prize Odds 1 in	Prize Expense (FY2008)
\$1	\$1,000-\$5,000	3	60%
\$2	\$15,000-\$20,000	3	65%
\$3	\$30,000	4	66%
\$5	\$50,000	3	69%
\$10	\$100,000-\$300,000	3	73%
\$20	\$1,000,000	2.5	76%

The relatively good odds of winning any prize in the \$1 and \$2 tickets reflects research-based innovations in design of these products that were introduced in Washington during FY2008. This represents an attempt to increase retention of new players by providing more winning experience in the tickets they typically play. Sales of the \$1 and \$2 tickets declined year-over year between FY04 and FY07, as established players moved their spending to the higher (and less profitable) price points. In FY08, this trend has been arrested or reversed. Through the next 3 years we need to continue advertising and promotional emphasis on the \$1 and \$2 games, developing player purchase trends that simulate those of Pull Tabs to increase winning experience among players.

Maximizing the success of participants (within the constraints imposed by limited prize payout) is expected to maximize sales of the Scratch products. The Lottery has research-based methods for improving prize structures, and expects to apply these systematically during the biennium.

Retail Partners

One of the key opportunities for long-term growth with our retailer network is to maintain a high level of relevance with them. The Lottery Sales staff are becoming business consultants, rather than Lottery inventory and merchandising clerks. Through sales training and development of sales materials, our retailer network will look to their Lottery representatives as a good source of business information.

An example of this is the topic of promotions. The Lottery has the ability to react quickly and execute flexible promotions at the retail level. These promotions can be designed to increase traffic counts, generate incremental sales at store level, or create repeat visits to the store. As a retailer realizes the skill and value that a Lottery promotion offers his business, we again increase our relevance with our retailer partners.

Second Chance *Drawings*, Ask For The Sale, Retail Co-op Programs, Couponing, Buy X - Get Y, are all types of effective promotions the Lottery is highly skilled at developing and delivering at the retail level. We can customize these to fit the individual needs of a retailer.

Communication Plan

Goal

Substantially increase the positive public perception of Washington's Lottery by stakeholders.

Objective

The objective of the Washington Lottery's Communications Program is to increase awareness among the general public of the benefits of the Washington Lottery to promote understanding and encourage sales.

Strategy

Generate statewide, multi-level publicity about the benefits of the Washington Lottery among key audiences to generate support and encourage sales.

Stakeholders

- **Potential Customers:** This encompasses Washington State residents of legal age and residents from adjoining and nearby states who travel in and out of Washington State.
- **Existing Customers:** This group involves current Lottery customers ranging from the occasional customer to the daily consumer of products.
- **Non Customers:** This group does not play the Lottery or other games of chance, but consists of citizens who have a vested stake in the efficiency of their state government.
- **Winners:** Lottery winners are a dual audience, existing in both the "customer" category as well as a separate category of prize holders. They are potential Ambassadors for the Lottery.
- **Retailers:** Retailers who sell Lottery products are partners in business and customers in accountability. They serve as a powerful opportunity to help promote the benefits of playing the Lottery.

- **Lottery Staff:** Agency staff can serve as advocates for customers and taxpayers and therefore can be a powerful and positive group to help raise awareness.
- **Educators:** From front-line teachers and staff to top level administrators in K-12 and higher education, individuals in the education community have a stake in the accuracy of advertising information about “where the money goes,” and they have the potential to help support the Lottery message.
- **Governor’s Office:** This office sets policy direction for the Lottery.
- **Legislators:** House and Senate members pass legislation which will impact the Lottery and direct the way in which the agency can operate. Their understanding of the agency and its challenges and opportunities is critical.
- **News Media:** Members of the press are both an audience and a tool through which the message travels.
- **Gaming Interests:** This audience exists in the shape of other forms of gaming inside Washington that impact market share. Vendors are also included in this category.
- **Business Leadership:** This is a group where news spreads among top leadership and down through employees. This group acts as yet another channel to reach the potential or existing customer.
- **Problem Gambling:** These individuals and groups can serve as partners to encourage responsible gaming and provide support to individuals with gambling problems.

Evaluation

Evaluation could come in a variety of forms that would help shape a picture of whether strategies and efforts are bringing the desired results.

Annual Research

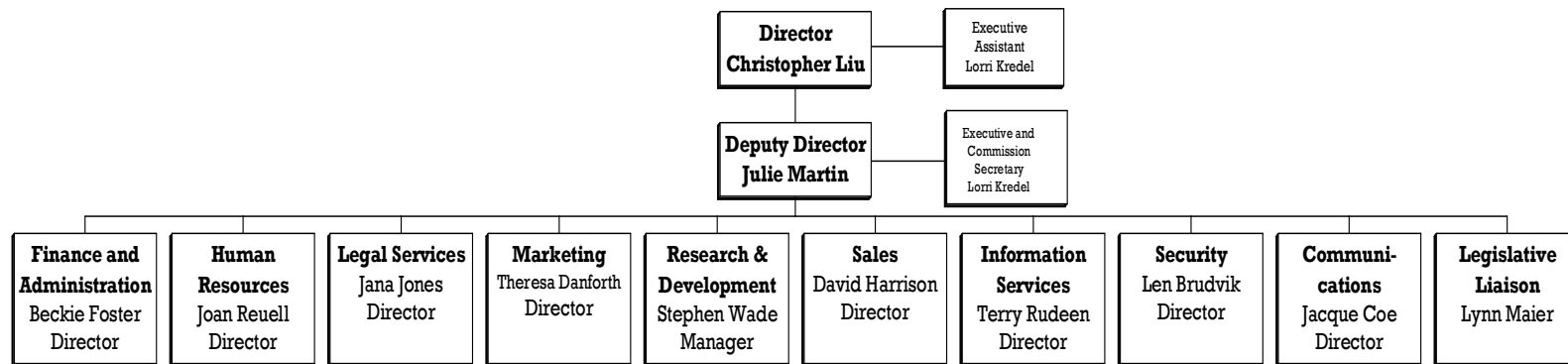
Quarterly Lottery public perception research may be able to gauge whether public perception has improved or declined. This research could also include customer intercept interviews, focus group testing, and internet panels. These insights would then form our product and promotional development, and the lottery’s consumer messaging.

On-going sales analysis, in conjunction with our communications efforts, will allow the Lottery to further refine and develop the games and promotions.

Retailer Surveys

Key to our success is the success of our retailers. We measure retailer needs and satisfaction on an on-going basis. The Lottery continually measures our relevance and retailer overall satisfaction through retailer forums and “town hall” style meetings, direct feed-back through our sales representatives, or more formal surveys and questionnaires. These results are then incorporated into our business and promotional plans.

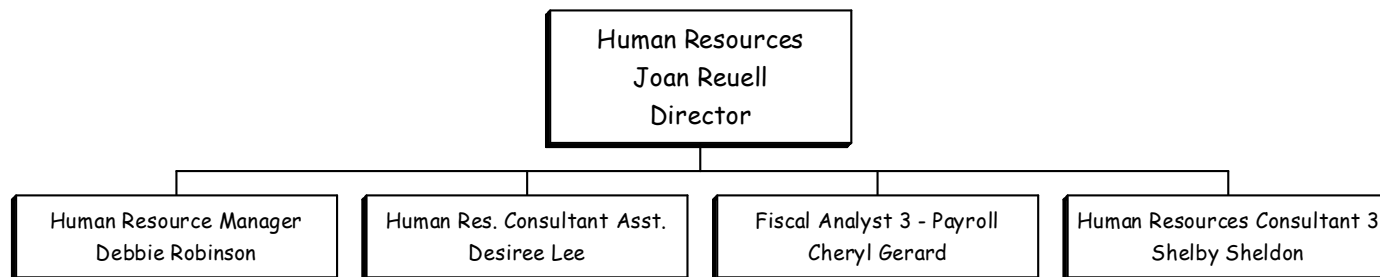
WASHINGTON'S LOTTERY



6/13/2008

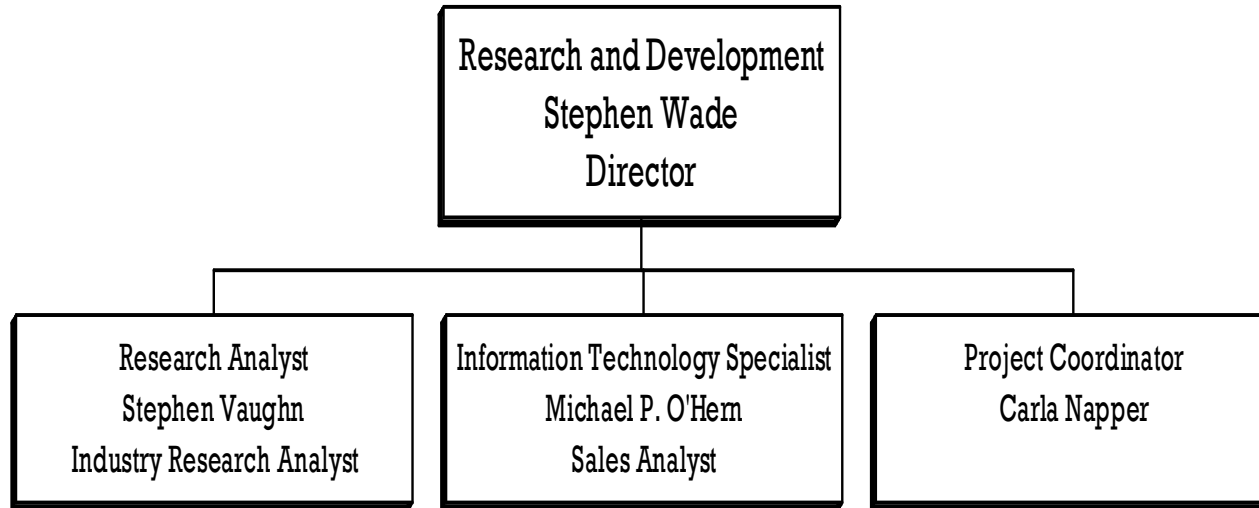
ATTACHMENT A

WASHINGTON'S LOTTERY HUMAN RESOURCES



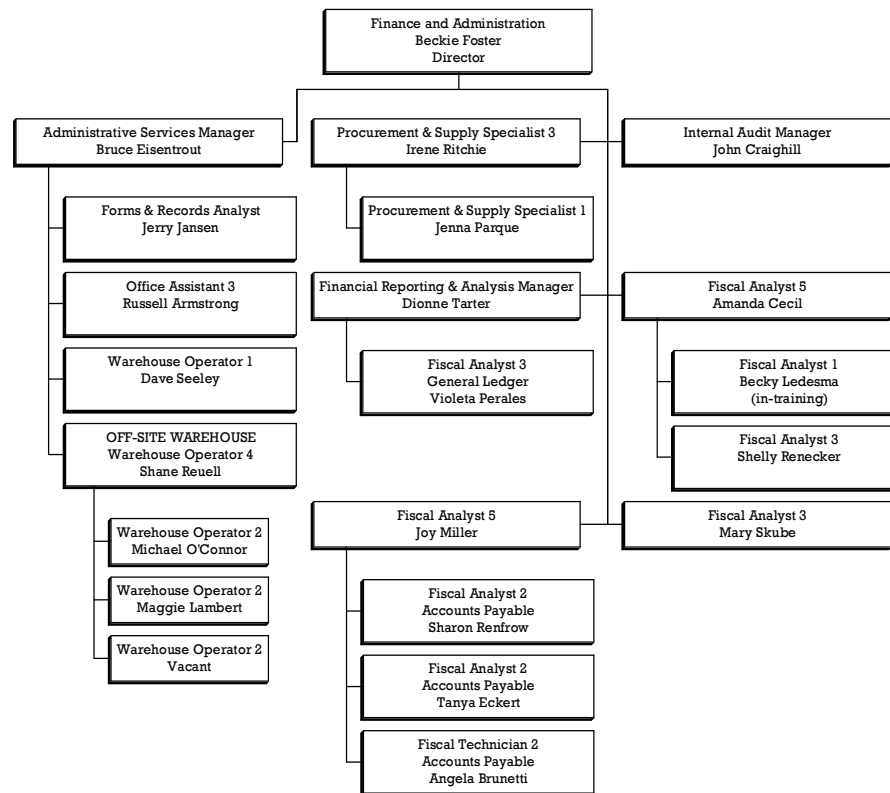
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WASHINGTON'S LOTTERY RESEARCH AND DEVELOPMENT



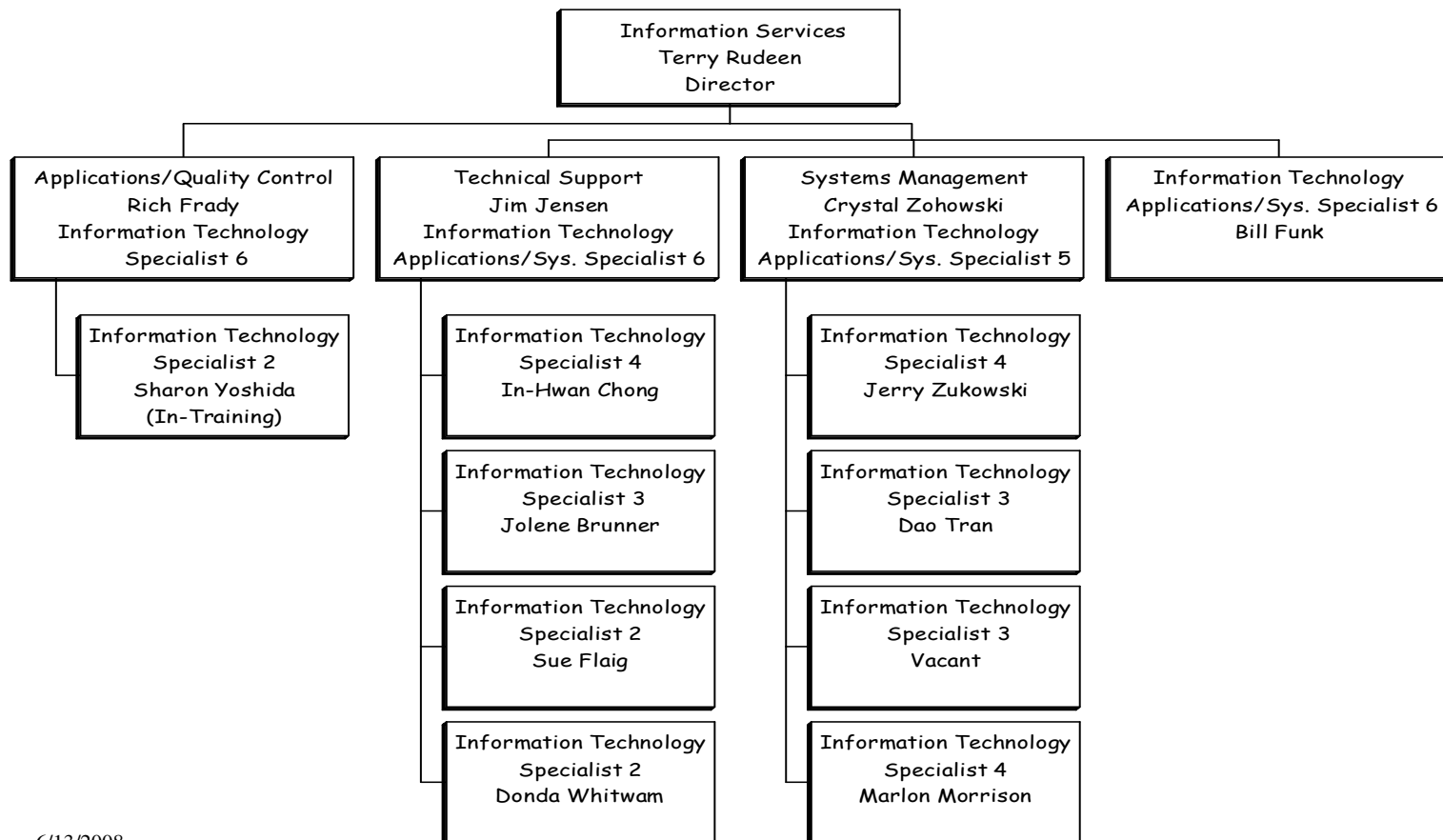
6/13/2008

WASHINGTON'S LOTTERY FINANCE AND ADMINISTRATION



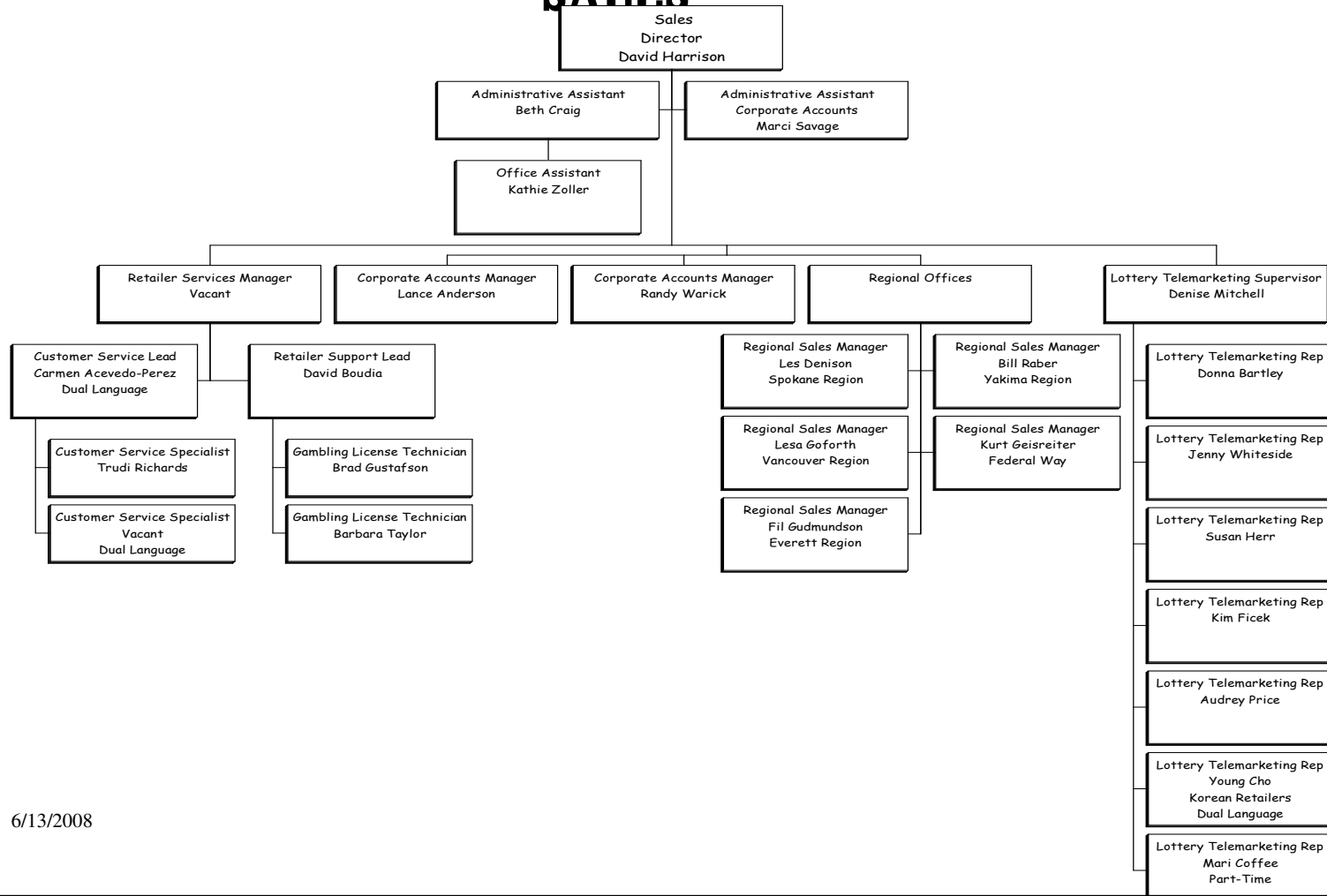
6/13/2008

WASHINGTON'S LOTTERY INFORMATION SERVICES



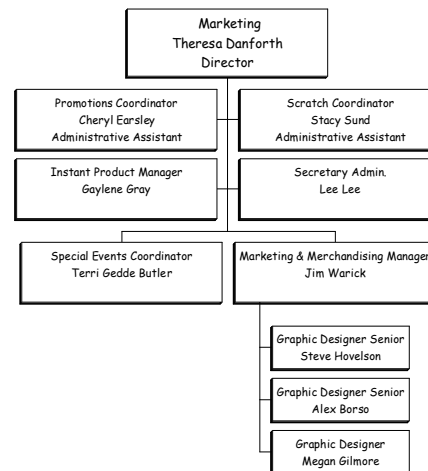
6/13/2008

WASHINGTON'S LOTTERY SALES



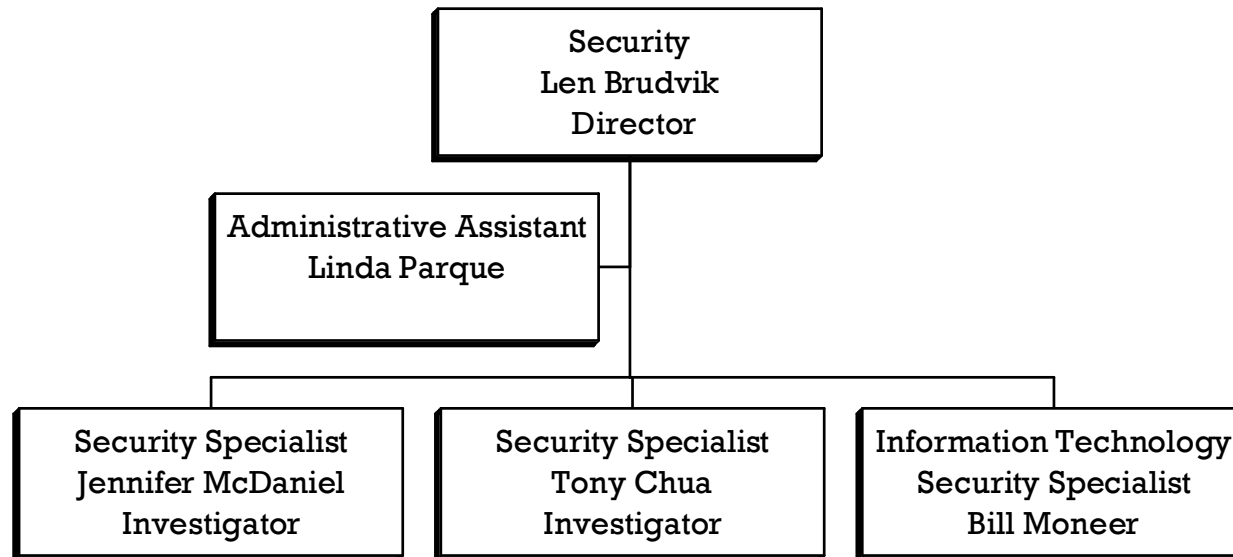
6/13/2008

WASHINGTON'S LOTTERY MARKETING



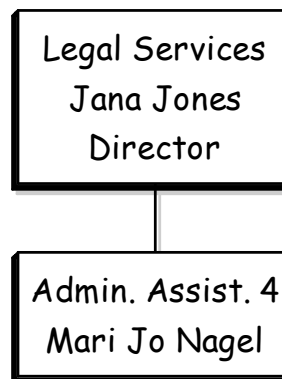
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WASHINGTON'S LOTTERY SECURITY



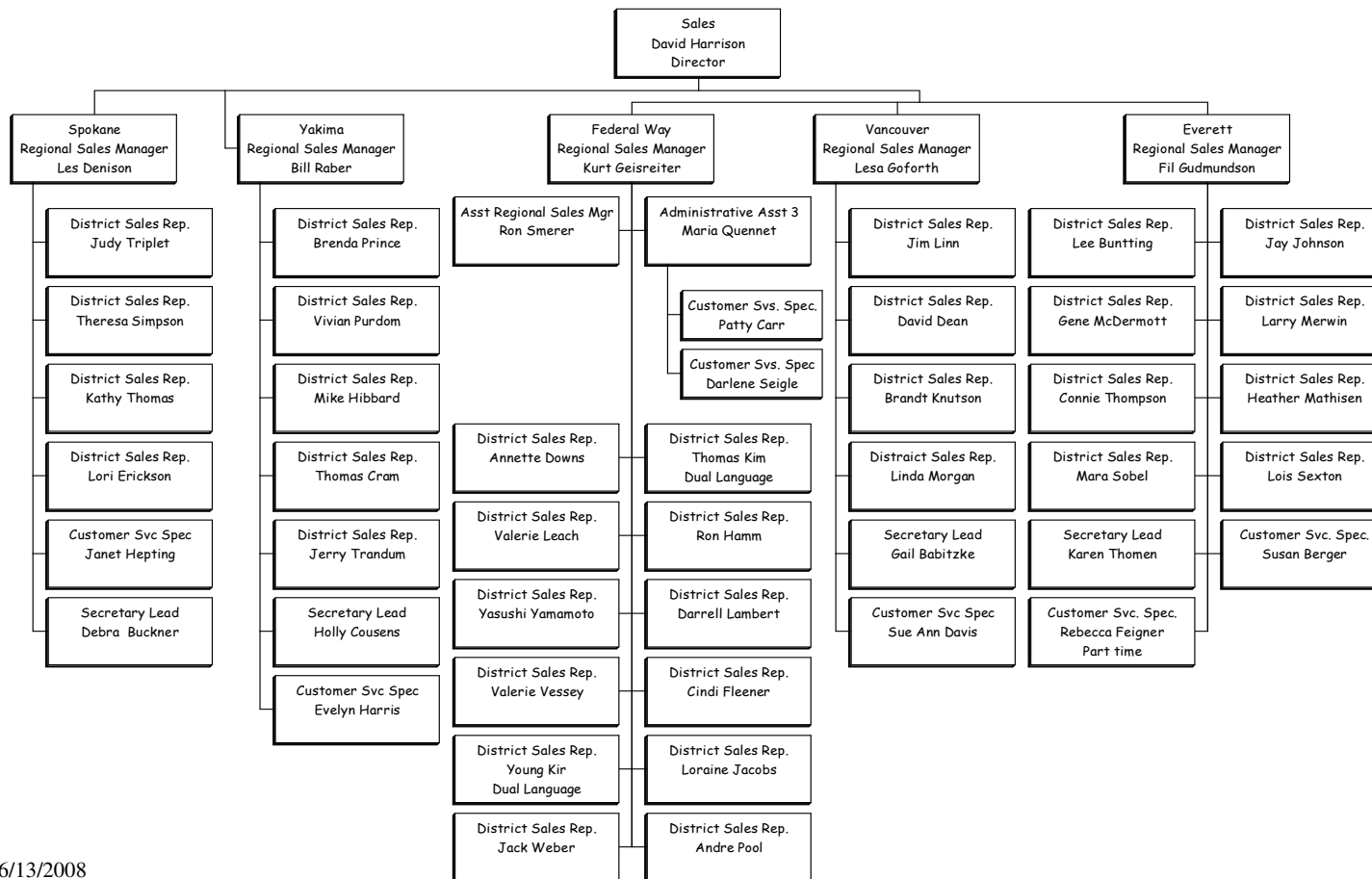
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WASHINGTON'S LOTTERY LEGAL SERVICES



6/13/2008

WASHINGTON'S LOTTERY REGIONAL OPERATIONS



6/13/2008

FY09 Marketing Plan

[illegible]

Notes:

Evaluate Lotto Trip Getaway (FY08)

ATTACHMENT D

Category	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3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it's good to play

Security

Risk, Threat, and Vulnerability Analysis

Revision 1.1

June 1, 2007

**WASHINGTON'S LOTTERY
RISK, THREAT AND VULNERABILITY ANALYSIS
As of June 2007**

Revision History

Rev. No.	Author	Date	Comments
1.0	wfm	2/23/07	Added cover page, revision history and reviewed.
1.1	Wfm	6/1/07	Added recommendations from John Craighill and adjusted impact and probability values.

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1 GENERAL

1.1 Objective of Document

This risk, threat and vulnerability analysis documents the potential negative impacts that could result from:

- Accidental or intentional disclosure of sensitive data to unauthorized persons.
- Unauthorized modification, use, or destruction of data, computer, or telecommunication resources.

1.2 Scope of Document

The focus of this document is on Lottery IT resources. Lottery contractors, particularly the Gaming System vendor, are required to conduct and document the separate analyses that address their IT resources.

1.3 Organization of Document

This document is organized in four sections.

- Section 1 provides general information about this document.
- Section 2 defines terms that are used in the document.
- Section 3 identifies the Lottery-specific risks that are analyzed in this document.
- Section 4 quantifies the likelihood of these risks occurring, and the Lottery's vulnerability if the risks did occur.

2 DEFINITIONS

<u>Term</u>	Definition
<u>Cost</u>	Could be cost to replace hardware, cost in man hours to restore systems and files after an incident, or cost of loss of revenue due to loss of integrity/image.
<u>Lottery Employees</u>	All permanent and temporary employees of the Lottery, regardless of their access to and knowledge of Lottery applications
<u>Lottery Insiders</u>	Lottery employees and contractors who have access to and knowledge of Lottery applications
<u>Outsiders</u>	Anyone who is not a Lottery employee or contractor but has expertise in illegally accessing (hacking) computer applications
<u>Malware</u>	Short for <i>malicious software</i> , software designed specifically to damage or disrupt a system, such as a virus or a Trojan horse
<u>Spyware</u>	Any software that covertly gathers user information through the user's Internet connection without the user's knowledge

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<u>Rogue</u>	Unauthorized hardware or software
<u>Risk</u>	<p>Accidental or intentional disclosure of sensitive data to unauthorized persons.</p> <p>Unauthorized modification, use, or destruction of data, computer, or telecommunication resources.</p> <p>Risk is the potential harm that may arise from some present process or from some future event. It is often mapped to the probability of some event which is seen as undesirable. Usually the probability of that event and some assessment of its expected harm must be combined into a believable scenario (an outcome) which combines the set of risk, regret and reward probabilities into an expected value for that outcome.</p>
<u>Risk Analysis</u>	A systematic use of available information to determine how often specified events may occur and the magnitude of their likely consequences.
<u>Threat</u>	<p>Intentional acts, such as alteration of data, alteration of software, computer viruses and other malicious code, disclosure of confidential information, electronic emanations, employee sabotage, external sabotage, fraud, hackers, terrorist activity, theft, and unauthorized use.</p> <p>A threat is an unwanted (deliberate or accidental) event that may result in harm to an asset. Often, a threat is exploiting a known vulnerability(ies). A threat could be the perception of insecurity; see also risk. A threat is also an explicit or implicit message from a person to another that the first will cause something bad to happen to the other, often except when certain demands are met. Often a weapon is used. Examples are a robbery, kidnapping, hijacking, extortion, blackmail</p>
<u>Threat Analysis</u>	The examination of all actions and events that might adversely affect a system or operation.
<u>Vulnerability</u>	<ul style="list-style-type: none"> • The cost the Lottery would incur if a potential threat actually occurs. In this analysis the probability and impact of an event are estimated in order-of-magnitude terms (Extreme, Great, Moderate, Minimum, and None) • Weakness in an information system, system security procedures, internal controls, or implementation that could be exploited

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<u>Vulnerability Analysis</u>	Analysis of the security state of a system or its compromise on the basis of information collected at intervals
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3 IDENTIFICATION OF RISKS

3.1 Disclosure of sensitive data

This refers to the disclosure of personal data, accounting data, and proprietary information by Lottery staff.

3.1.1 Types of sensitive data

Personal Data
Financial Data
Proprietary Information

3.1.1.1 Personal data

Personal data refers to personally identifiable information of players/claimants, research respondents, lottery employees, retailers and vendors/ contractors, as defined in USC Title 5, Section 552 a; Lottery Policy 140-005, and by the ISB Public Records Privacy Protection Policy of June 12, 2001. This includes data provided by other state agencies to the Lottery for the purpose of retailer licensing and for debt collection.

3.1.1.2 Financial data

The focus here is on accounting information that could be misused if disclosed. This information includes (per the ISB policy):

- Credit card numbers, debit card numbers, electronic check numbers, card expiration dates, or bank or other financial account numbers supplied to an agency for the purpose of electronic transfer of funds, except when disclosure is expressly required by law.
- Financial information, including but not limited to account numbers and balances, and other identification numbers supplied by or on behalf of a person, firm, corporation, limited liability company, partnership, or other entity related to an application for a liquor license, gambling license, or lottery retail license.

3.1.1.3 Proprietary information

Lottery vendors, particularly the Gaming System vendors, often use IT hardware or software that is protected by patents, copyrights and trademarks. Vendors typically mark this information Confidential, or they may request the recipients to sign non-disclosure agreements.

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3.1.2 Types of disclosures

- Lottery employees accidentally disclosing sensitive data, e.g., throwing documents containing sensitive data into regular trash or recycling bins (rather than shredding the documents)
- Lottery insiders deliberately disclosing sensitive data with the intent of causing damage or personal gain
- Outsiders (hackers) accessing and deliberately disclosing sensitive data with the intent of causing damage or personal gain

3.2 Unauthorized modification, use, or destruction of data

This addresses the alteration, use or destruction of sensitive data owned by the Lottery. Examples are draw ticket data files, winning number files, validation files, scratch ticket inventory and status files, outstanding claim files, accounts receivable files, accounts payable files, check registers, and so on. Some of these files reside on the vendor's Gaming System; others are found on the Lottery computer platforms (Tandem and Windows).

3.2.1 Unauthorized modification and use of data

- Lottery employees accidentally modifying data
- Lottery insiders modifying data and using it with the intent of fraud
- Lottery retailers modifying data and using it with the intent of fraud
- Outsiders (hackers) modifying data and using it with the intent of fraud

3.2.2 Unauthorized destruction of data

- Lottery employees accidentally destroying data
- Disgruntled employees deliberately destroying data

3.3 Unauthorized modification, use, or destruction of computer resources

For the purpose of this analysis, computer resources are broken out in two categories, hardware and software. In the context of this analysis, unauthorized modification or use of hardware or software is seen as an attempt to use, modify or destroy sensitive data for illegal purposes. Unauthorized destruction of hardware or software is seen as an attempt to deny its use for its intended purposes.

3.3.1 Hardware

HP NonStop, servers, routers, gateways, desktop PCs, laptops, PDAs, Blackberrys, cell phones, printers, scanners, drawing devices (Random Number Generators (Origin Systems)), retailer terminals.

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3.3.2 Software

Operating system software, off-the-shelf applications software, and custom applications software.

3.3.3 Unauthorized modifications of hardware

- Modification of automated drawing devices with the intent to control the outcome of a draw
- Modification of retailer terminals with the intent to produce tickets illegally
- Attachment of foreign devices to retailer terminals, communications lines or the host computer, without approval. This includes devices that produce ticket transactions, and passive "spy" gadgets that can capture and display sensitive data. Also included are modems, gateways and routers that are attached for illegal data access

3.3.4 Unauthorized modifications of software

- Unauthorized modifications of mission-critical software applications by an employee with the intent of fraud
- Unauthorized modifications of mission-critical software applications by an outsider (hacker) with the intent of fraud or causing damage
- Malware is also capable of modifying mission-critical applications, but more commonly their target is operating system software and off-the-shelf applications software

Mission-critical applications are located on the Gaming vendor's and the Lottery's systems; however, only the Lottery's systems are included in this analysis. They include:

- Internal Control System
- Prize Verification
- Prize Payment
- Budget
- General Ledger
- Accounts Receivable
- Accounts Payable
- Retailer Settlement
- Hotline (Retailer Services)
- Internet Website
- Interactive Voice Response

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3.3.5 Unauthorized use of hardware or software

- Lottery staff using on-line vendor software to illegally divert Lottery funds.
- Lottery staff using Lottery software (Prize Payment, Accounts Receivable, Accounts Payable) to illegally divert Lottery funds.
- Lottery staff using banking software to illegally divert Lottery funds.
- Lottery staff using Lottery hardware or software for personal use.
- Lottery staff using hardware and software to access data for which they have no need to know, or perform activities that is outside their responsibility (outside the scope of their job).

3.3.6 Unauthorized destruction of hardware or software

- Malware destroying hardware or software
- Accidental destruction by employees, e.g. the wrong program being deleted from a catalog, a functioning piece of hardware getting mixed into the pile of defective hardware that goes to salvage.
- Disgruntled employees deliberately destroying hardware or software.
- Outsiders, e.g. frustrated players, deliberately destroying hardware or software in Lottery locations.
- Outsiders, e.g. frustrated players, deliberately destroying terminals at retailer locations.

3.4 Unauthorized modification, use, or destruction of telecommunication resources

Desk telephones, cell phones, pagers, PDAs, Blackberries, laptops, desktops, PBX, SCAN system, DIS backbone, Internet, voice lines, data circuits.

3.4.1 Unauthorized modification of telecommunication resources

An employee connecting a modem or other telecommunications device to a Lottery telecommunications line and using it to conduct non-Lottery business.

3.4.2 Unauthorized use of telecommunications resources

- An employee obtaining and using another employee's SCAN access code.
- Unauthorized users using telecommunications resources for remote access to Lottery systems.
- Outsiders using telecommunications resources to access sensitive Lottery data.
- A Lottery employee connecting a rogue wireless access point to the network.
- An outsider or an unauthorized Lottery employee using an existing modem or rogue modem to access the Lottery network from a remote location.
- An employee losing a laptop or Blackberry and said device is used by unauthorized persons to access sensitive Lottery data.
- Unauthorized use of an unsecured data port with malicious intent.

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3.4.3 Unauthorized destruction of telecommunications resources

- Destruction by malware
- Accidental destruction by employees, e.g. a functioning piece of hardware being mixed into the pile of defective hardware that goes to salvage.
- Disgruntled employees deliberately destroying telecommunications resources.
- Outsiders, e.g. frustrated players, deliberately destroying telecommunications resources.

**WASHINGTON'S LOTTERY
RISK, THREAT AND VULNERABILITY ANALYSIS
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4 THREAT (PROBABILITY) AND VULNERABILITY

In this section, two aspects of the risks listed in Section 3 are addressed:

- The threat (probability) of the risk occurring.
- The vulnerability (impact) to the Lottery if the risk does occur.

4.1 Threat (PROBABILITY)

The various degrees of threat listed below are weighted from 1 to 5 (5 is the greatest threat), to allow Lottery senior management to direct IT security efforts against risks with the greatest probability of occurrence.

Weight	Degree of Threat (Probability)
5	Will happen
4	Has high probability that it will happen
3	May happen
2	Has low probability that it will happen
1	Will not happen

4.2 Levels of Vulnerability

The various levels of vulnerability listed below are weighted from 1 to 5 (5 is the most serious), to allow Lottery senior management to direct IT security efforts against risks with the greatest associated cost.

Note: The weight is based on the mission-critical applications and processes identified in the Business Impact Analysis

**WASHINGTON'S LOTTERY
RISK, THREAT AND VULNERABILITY ANALYSIS
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Weight	Impact
5	Extreme. Will or has the potential to halt one or more critical applications of the Lottery or could cost the Lottery over \$1,000,000 in lost Net Revenue
4	Great. Will or has the potential to interfere with critical applications of the Lottery or could cost the Lottery over \$500,000 in lost Net Revenue
3	Moderate. Would/could affect critical applications of the Lottery or could cost the Lottery over \$100,000 in lost Net Revenue
2	Minimum. Would/could affect other than critical applications of the Lottery or could cost the Lottery under \$100,000 in lost Net Revenue
1	None. Will not affect Lottery applications or cost the Lottery any loss in Net Revenue

**WASHINGTON'S LOTTERY
RISK, THREAT AND VULNERABILITY ANALYSIS
As of June 2007**

4.3 PROBABILITY x IMPACT = RISK

This calculation should enable the Lottery to rank risks from the most serious to the most trivial in terms of their overall impact to the business.

Threat	Probability	Impact	Risk
Lottery employees accidentally disclosing sensitive data.	3	2	6
Lottery insiders deliberately disclosing sensitive data with the intent of causing damage or personal gain.	2	3	6
Outsiders (hackers) accessing and deliberately disclosing sensitive data with the intent of causing damage or personal gain.	2	4	8
Lottery employees accidentally modifying sensitive data.	4	3	12
Lottery insiders modifying data and using it with the intent of fraud	2	4	8
Lottery retailers modifying data and using it with the intent of fraud	2	2	4
Outsiders (hackers) modifying sensitive data and using it with the intent of fraud.	2	4	8
Lottery employees accidentally destroying data	3	4	12
Disgruntled employees deliberately destroying data	2	4	8
Modification of automated drawing devices with the intent to control the outcome of a draw	2	2	4
Modification of retailer terminals with the intent to produce tickets illegally.	2	2	4
Attachment of foreign devices to retailer terminals, communications lines or the host computer, without approval.	2	3	6
Unauthorized modifications of mission-critical software applications by an employee with the intent of fraud	2	3	6
Unauthorized modifications of mission-critical software applications by an outsider (hacker) with the intent of fraud or causing damage	2	3	6
Modification of operating systems or off-the-shelf applications software by malware.	3	4	12
Lottery staff using on-line vendor software to illegally divert Lottery funds.	2	4	8

**WASHINGTON'S LOTTERY
RISK, THREAT AND VULNERABILITY ANALYSIS
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Threat	Probability	Impact	Risk
Lottery staff using Lottery software (Prize Payment, Accounts Receivable, Accounts Payable) to illegally divert Lottery funds.	2	3	6
Lottery staff using banking software to illegally divert Lottery funds.	2	3	6
Lottery staff using Lottery hardware or software for personal use.	5	2	10
Lottery staff using hardware and software to access data for which they have no need to know, or perform activities that is outside their responsibility (outside the scope of their job).	4	2	8
Malware destroying hardware or software	3	4	12
Accidental destruction by employees, e.g. the wrong program being deleted from a catalog, a functioning piece of hardware getting mixed into the pile of defective hardware that goes to salvage.	5	2	10
Disgruntled employees deliberately destroying hardware or software	2	4	8
Outsiders deliberately destroying hardware or software in Lottery locations.	3	3	9
Outsiders deliberately destroying terminals at retailer locations.	3	2	6
An employee connecting a modem or other telecommunications devices to a Lottery line and using it to conduct non-Lottery business.	3	2	6
An employee obtaining and using another employee's SCAN access code.	5	1	5
Unauthorized users using telecommunications resources for remote access to Lottery systems.	2	3	6
Outsiders using telecommunications resources to access sensitive Lottery data.	3	3	9
A Lottery employee connecting a rogue wireless access point to the network	3	3	9
An outsider or an unauthorized Lottery employee using an existing modem or rogue modem to access the Lottery network from a remote location.	3	3	9
An employee losing a laptop or Blackberry and said device is used by unauthorized persons to access Lottery data.	4	3	12

WASHINGTON'S LOTTERY
RISK, THREAT AND VULNERABILITY ANALYSIS
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Threat	Probability	Impact	Risk
Unauthorized use of an unsecured data port with malicious intent.	2	3	6
Destruction of telecommunications resources by malware.	2	3	6
Accidental destruction of telecommunications resources by employees	3	3	9
Disgruntled employees deliberately destroying telecommunications resources.	2	3	6
Outsiders e.g. frustrated players, deliberately destroying telecommunications resources.	2	3	6

Risk control measures fall into one of four categories:

1. **Accept the risk** - If the impact of a rare event is low it may be reasonable to accept the risk, such as the occasional theft of company property, which is unlikely to jeopardize the business. Some risks fall outside your control, such as governmental policy, and so must be accepted by default.
2. **Manage the risk** - For frequent low impact risks, the most sensible strategy is to monitor and seek to reduce the risk. An example would be development of new procedures to reduce error.
3. **Reduce the risk** - A frequent potentially damaging event is a target for reduction measures. The hazardous procedure should be re-engineered or carefully monitored to reduce risk. Alternatively, you might choose to outsource the risk thereby giving it to someone else better equipped to manage it.
4. **Planning** - Business continuity planning addresses risks which are of low probability, such as fire and flood, but whose potential impact is failure.

The type of risk to which each is an appropriate reaction are shown in the following table:

**WASHINGTON'S LOTTERY
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		Impact				
		None	Minimum	Moderate	Great	Extreme
Probability	Will Happen	5	10	15	20	25
	High	4	8	12	16	20
	May happen	3	6	9	12	15
	Low	2	4	6	8	10
	Will not happen	1	2	3	4	5

Probability/Impact	LOW	HIGH
HIGH	Manage	Reduce
LOW	Accept	Business Continuity Plan

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A001 Administration

Statewide Result Area: Strengthen government's ability to achieve results efficiently and effectively

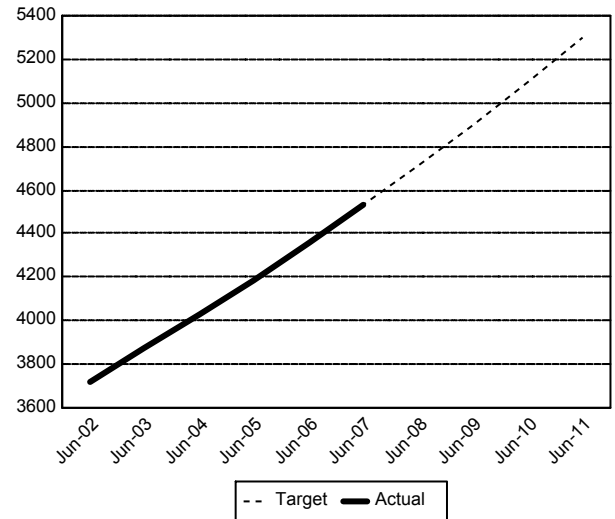
Statewide Strategy: Provide state financial services and resources

Expected Results

Lottery employees that are strongly supported as they generate sales. For the 2007-09 Biennium, the Lottery projects sales of \$1.018 billion and profits of \$233.4 million. The distribution of profits are as follows: \$198.8 million to the Education Construction Account, \$17.4 million to the Stadium and Exhibition Center, and \$9.6 million to King County (Safeco Field), \$7.9 million to Economic Development Strategic Reserve Account, and \$0.5 million to Problem Gambling Account.

King County Baseball Stadium Debt Reduction (Safeco Field) (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$5,299		
	4th Qtr	\$5,095		
2007-09	8th Qtr	\$4,899		
	4th Qtr	\$4,711		
2005-07	8th Qtr	\$4,530	\$4,530	\$0
	4th Qtr	\$4,355	\$4,355	\$0

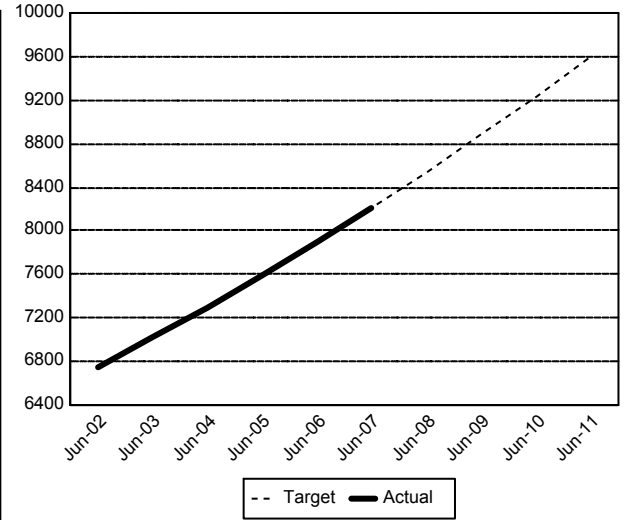
Distributions to King County are used for debt reduction on the baseball stadium (Safeco Field) and are included in total contributions to Lottery beneficiaries. Obligations to King Co are met before funds are contributed to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1996 at \$3M per year and increased by four percent per year. Distributions will stop when the bonds are retired, which may be as soon as 2012 but no later than 2016.



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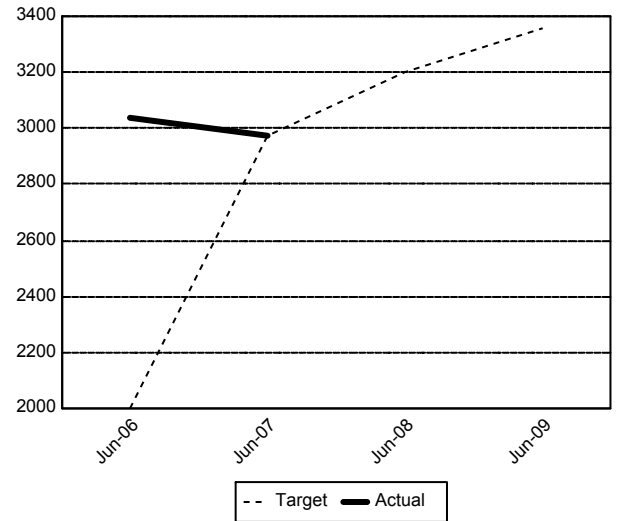
Total Distributions to Stadium & Exhibition Center - Qwest Field (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$9,606		
	4th Qtr	\$9,236		
2007-09	8th Qtr	\$8,881		
	4th Qtr	\$8,540		
2005-07	8th Qtr	\$8,211	\$8,211	\$0
	4th Qtr	\$7,896	\$7,896	\$0

Distributions to the Stadium and Exhibition Center are used for debt reduction on Qwest Field and are included in total contributions to Lottery beneficiaries. Obligations to the Stadium and Exhibition Center are met before funds are available to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1998 at \$6M per year and increase by four percent each year. Distributions will stop when the bonds are retired, or 12/31/20, whichever comes first.



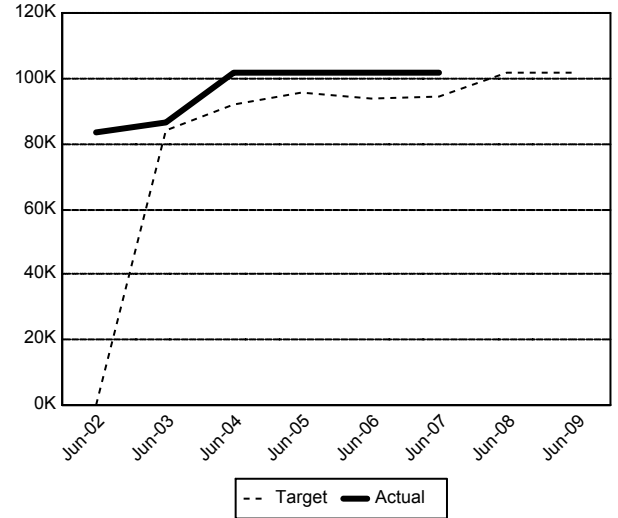
Total Distributions to the Economic Development Strategic Reserve Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,354		
	4th Qtr	\$3,201		
2005-07	8th Qtr	\$2,971	\$2,976	\$5
	4th Qtr	\$2,000	\$3,035	\$1,035

Distributions to the Economic Development Strategic Reserve Account were established in the 2005 legislative session and are made in accordance with RCW 67.70.190. This distribution is included in total contributions to Lottery beneficiaries. One-third of all unclaimed prizes from all Lottery games are transferred to this account. The Lottery is the sole contributor. Obligations to the Economic Development Strategic Reserve Account are met before funds are available to Education Construction.

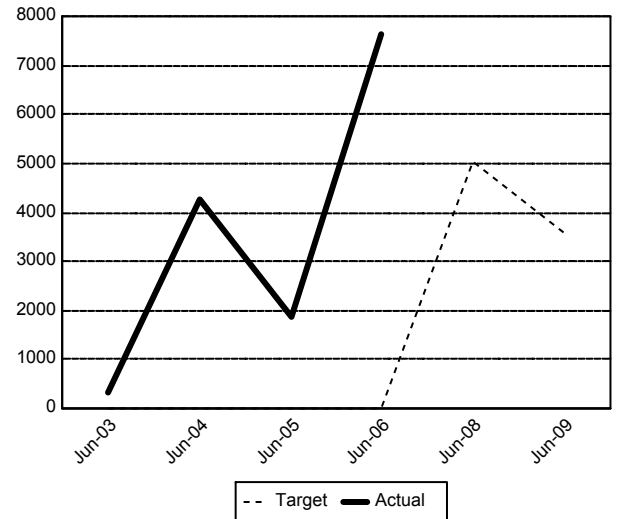


As of 6/13/2008

Total Distributions to the Education Construction Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$102,000		
	4th Qtr	\$102,000		
2005-07	8th Qtr	\$94,518	\$101,932	\$7,414
	4th Qtr	\$93,663	\$102,000	\$8,337
<p><i>Distributions to Education Construction are made accordance with RCW 67.70.240. These distributions are made after obligations to King County for the baseball stadium, the Stadium and Exhibition Center, and Problem Gambling are met. Beginning in FY03 funds from the shared game (Mega Millions) are transferred to Education Construction until total distributions reach \$102M. The Education Construction Account receives the largest portion of Lottery funds, which consisted of 86.5% in FY07.</i></p>				

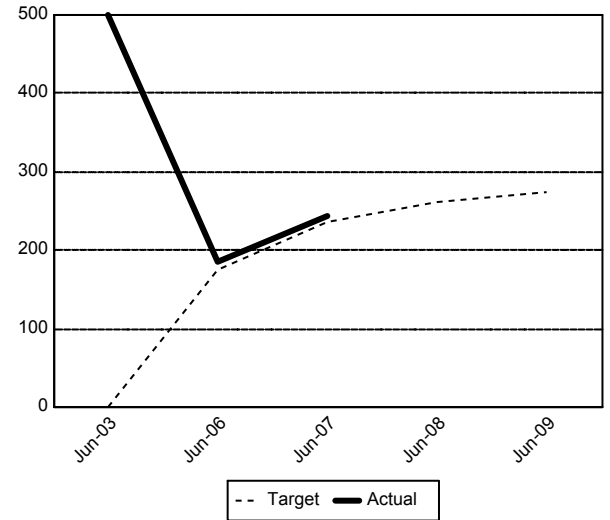


Total Distributions to the General Fund Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,587		
	4th Qtr	\$5,035		
2005-07	4th Qtr	\$0	\$7,618	\$7,618
<p><i>Distributions to the General Fund Account are made in accordance with RCW 67.70.340. Prior to making transfers to the General Fund, obligations for the stadiums and to Problem Gambling, Economic Development, and Education Construction must be met. Profits from the shared game are also transfer to Education Construction until total contributions to Education Construction has reached \$102M. All the remaining profits go to the General Fund.</i></p>				

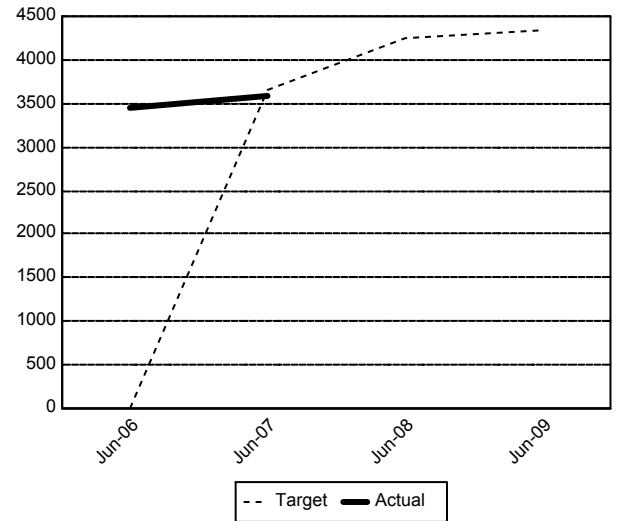


As of 6/13/2008

Total Distributions to the Problem Gambling Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$274		
	4th Qtr	\$262		
2005-07	8th Qtr	\$235	\$244	\$9
	4th Qtr	\$174	\$186	\$12
<p><i>Distributions to Problem Gambling were established in the 2005 legislative session and are made in accordance with RCW 67.70.340. This obligation is met before funds are available to Education or the General Fund. This distribution is included in total contributions to Lottery beneficiaries. Total distributions include 13/100 of one percent of Lottery's net receipts. In addition to the total contributions to Problem Gambling, the Lottery also contributes resources to support awareness.</i></p>				

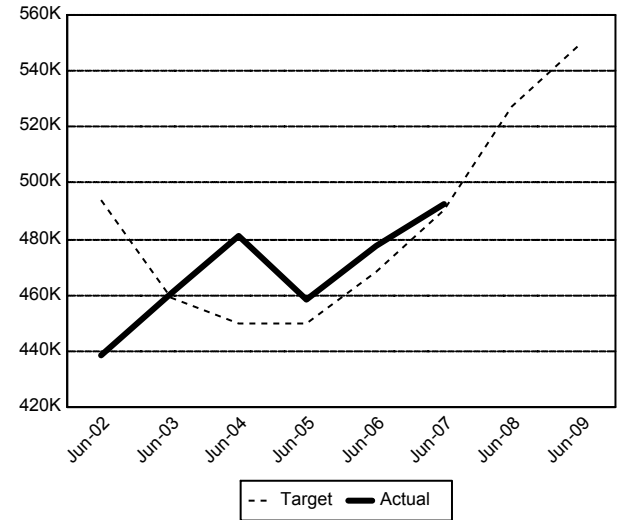


Total Lottery Retailers on June 30				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	4,345		
	4th Qtr	4,245		
2005-07	8th Qtr	3,645	3,579	(66)
	4th Qtr	0	3,445	3,445
<p><i>Prior to fiscal year 2007 the Lottery was limited in the gaming contract by the total number of retailers that the system could handle. During that time the total number remained close to 3,500. With the implementation of the new gaming contract in fiscal year 2007 those limitations were lifted and goals were established to increase the retailer base.</i></p>				



As of 6/13/2008

Total Sales - All Lottery Products (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$550,000		
	4th Qtr	\$527,000		
2005-07	8th Qtr	\$490,700	\$492,591	\$1,891
	4th Qtr	\$468,000	\$477,886	\$9,886
<p><i>Each biennium Washington's Lottery develops a sales budget based on previous years results, sales plans, and economic forecasts, however, Lottery sales are highly jackpot driven - sales increase as jackpots grow.</i></p>				



A009 Prizes

Statewide Result Area: Strengthen government's ability to achieve results efficiently and effectively

Statewide Strategy: Provide state financial services and resources

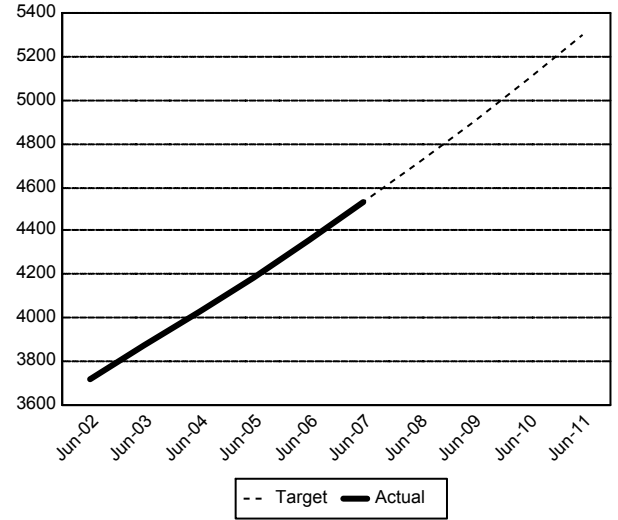
Expected Results

Lottery customers who enjoy playing Lottery games, who are convinced of the organization's integrity, and who want to play again. This activity also contributes to the revenue measure listed with the Administration activity.

As of 6/13/2008

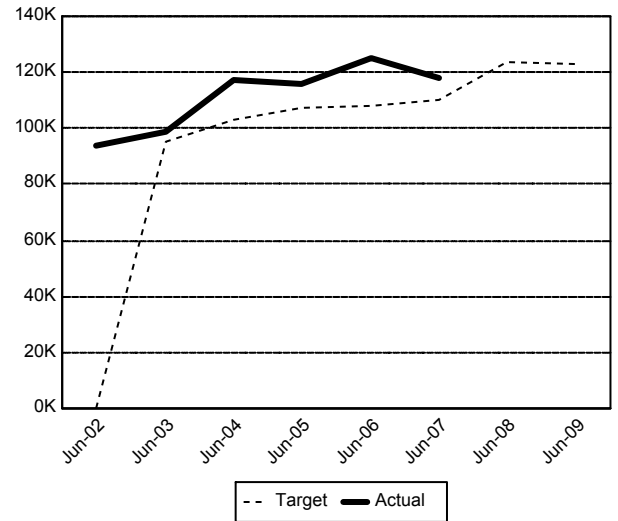
King County Baseball Stadium Debt Reduction (Safeco Field) (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$5,299		
	4th Qtr	\$5,095		
2007-09	8th Qtr	\$4,899		
	4th Qtr	\$4,711		
2005-07	8th Qtr	\$4,530	\$4,530	\$0
	4th Qtr	\$4,355	\$4,355	\$0

Distributions to King County are used for debt reduction on the baseball stadium (Safeco Field) and are included in total contributions to Lottery beneficiaries. Obligations to King Co are met before funds are contributed to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1996 at \$3M per year and increased by four percent per year. Distributions will stop when the bonds are retired, which may be as soon as 2012 but no later than 2016.



Total Distributions to Lottery Beneficiaries (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$122,996		
	4th Qtr	\$123,749		
2005-07	8th Qtr	\$110,465	\$117,893	\$7,428
	4th Qtr	\$108,088	\$125,089	\$17,001

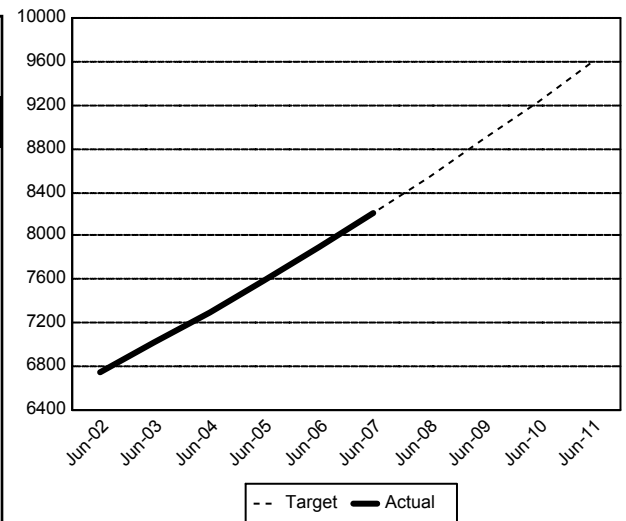
Distributions to beneficiaries are outlined in RCW 67.70.190, RCW 67.70.240, and RCW 67.70.340. Beneficiaries include King County for debt reduction on the baseball stadium, the Stadium & Exhibition Center (Qwest Field), Economic Development Strategic Reserve, Problem Gambling, Education Construction, and, when funds are available, the General Fund.



As of 6/13/2008

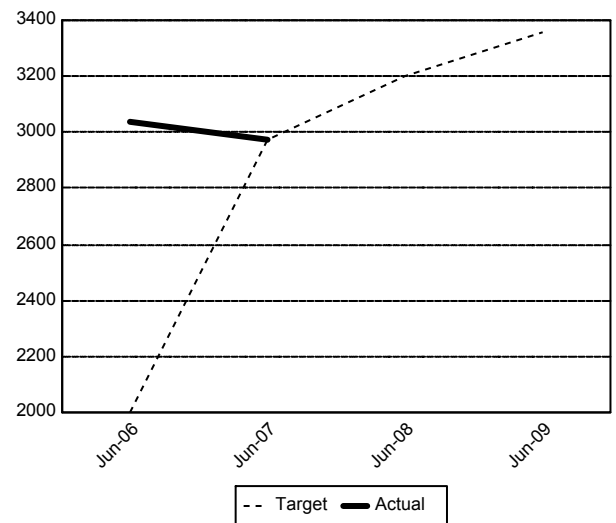
Total Distributions to Stadium & Exhibition Center - Qwest Field (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$9,606		
	4th Qtr	\$9,236		
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2005-07	8th Qtr	\$8,211	\$8,211	\$0
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Distributions to the Stadium and Exhibition Center are used for debt reduction on Qwest Field and are included in total contributions to Lottery beneficiaries. Obligations to the Stadium and Exhibition Center are met before funds are available to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1998 at \$6M per year and increase by four percent each year. Distributions will stop when the bonds are retired, or 12/31/20, whichever comes first.



Total Distributions to the Economic Development Strategic Reserve Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,354		
	4th Qtr	\$3,201		
2005-07	8th Qtr	\$2,971	\$2,976	\$5
	4th Qtr	\$2,000	\$3,035	\$1,035

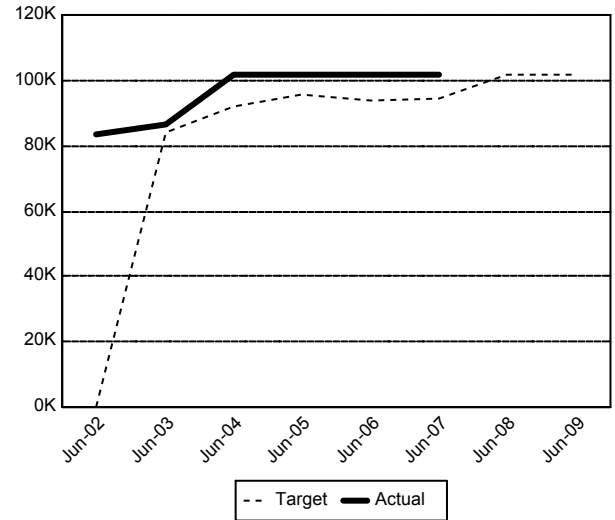
Distributions to the Economic Development Strategic Reserve Account were established in the 2005 legislative session and are made in accordance with RCW 67.70.190. This distribution is included in total contributions to Lottery beneficiaries. One-third of all unclaimed prizes from all Lottery games are transferred to this account. The Lottery is the sole contributor. Obligations to the Economic Development Strategic Reserve Account are met before funds are available to Education Construction.



As of 6/13/2008

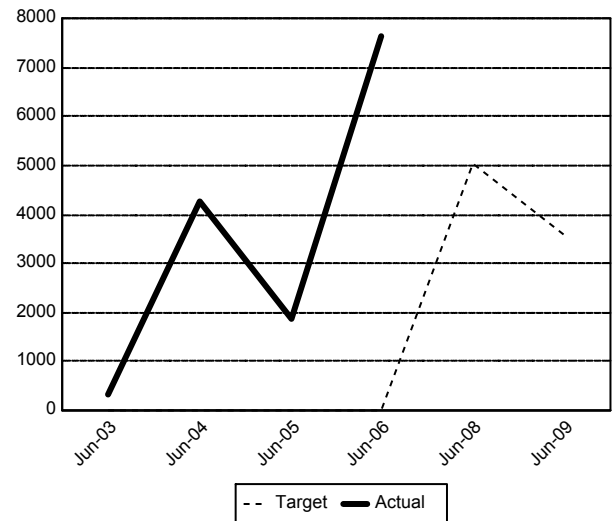
Total Distributions to the Education Construction Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$102,000		
	4th Qtr	\$102,000		
2005-07	8th Qtr	\$94,518	\$101,932	\$7,414
	4th Qtr	\$93,663	\$102,000	\$8,337

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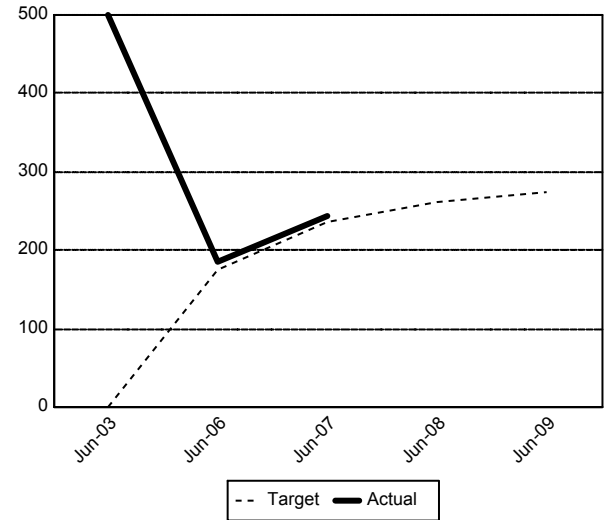
Total Distributions to the General Fund Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
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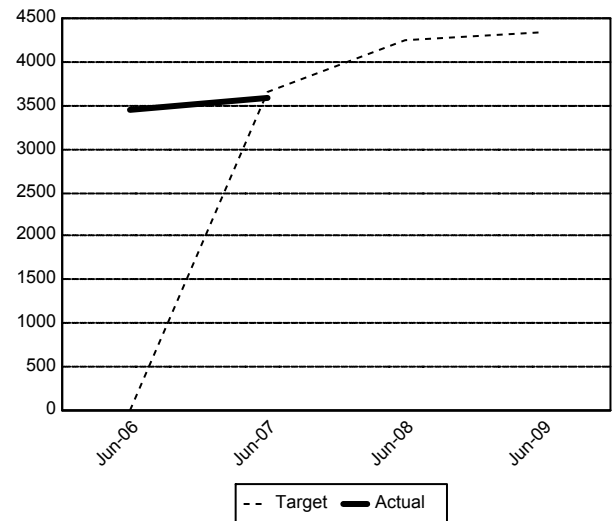


As of 6/13/2008

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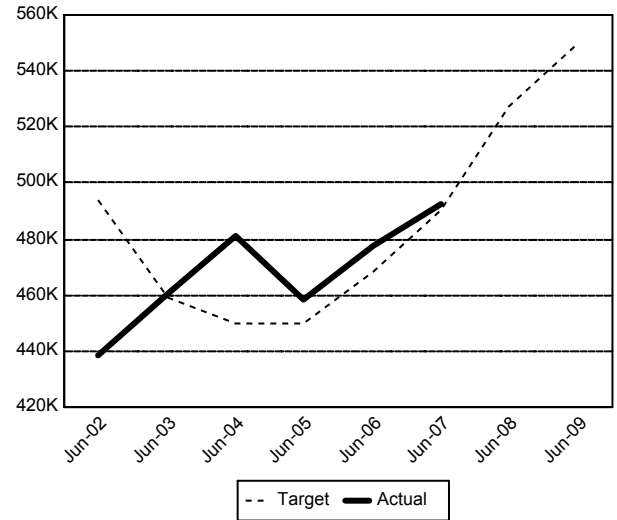


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As of 6/13/2008

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<p><i>Each biennium Washington's Lottery develops a sales budget based on previous years results, sales plans, and economic forecasts, however, Lottery sales are highly jackpot driven - sales increase as jackpots grow.</i></p>				



A002 Commissions

Statewide Result Area: Strengthen government's ability to achieve results efficiently and effectively

Statewide Strategy: Provide state financial services and resources

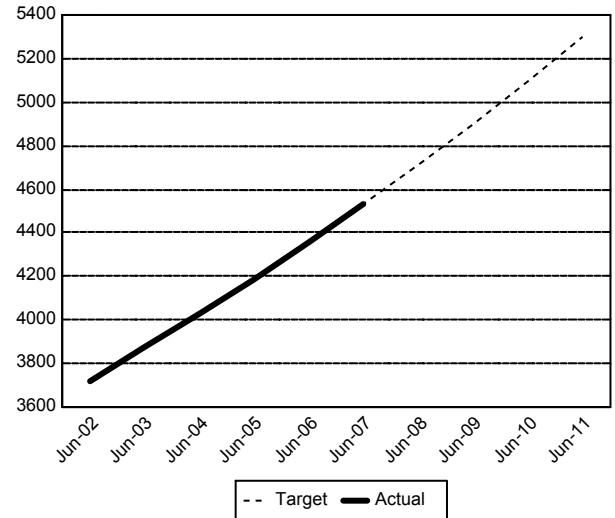
Expected Results

Lottery retailers who are enthused about selling Lottery products, who treat players well, and who represent the Lottery in a positive manner. This activity also contributes to the revenue measure listed with the Administration activity.

As of 6/13/2008

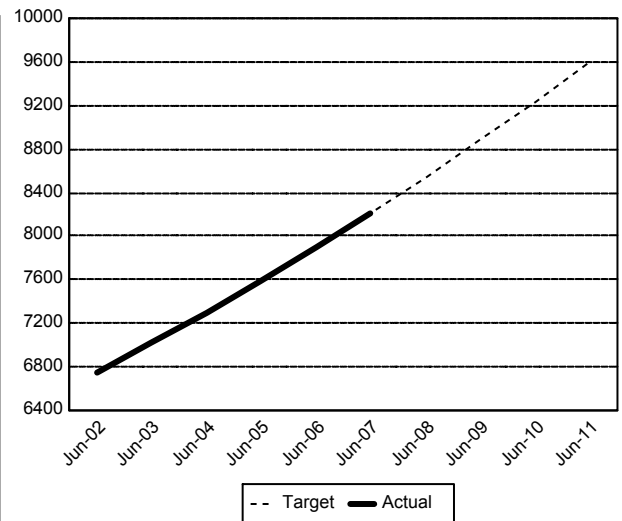
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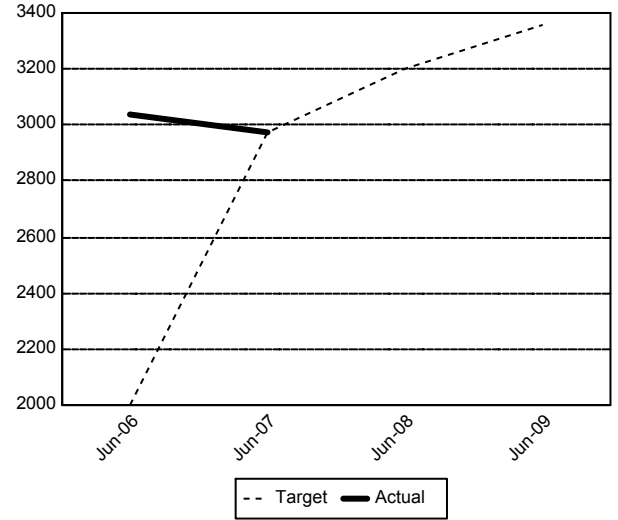
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Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$9,606		
	4th Qtr	\$9,236		
2007-09	8th Qtr	\$8,881		
	4th Qtr	\$8,540		
2005-07	8th Qtr	\$8,211	\$8,211	\$0
	4th Qtr	\$7,896	\$7,896	\$0

Distributions to the Stadium and Exhibition Center are used for debt reduction on Qwest Field and are included in total contributions to Lottery beneficiaries. Obligations to the Stadium and Exhibition Center are met before funds are available to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1998 at \$6M per year and increase by four percent each year. Distributions will stop when the bonds are retired, or 12/31/20, whichever comes first.

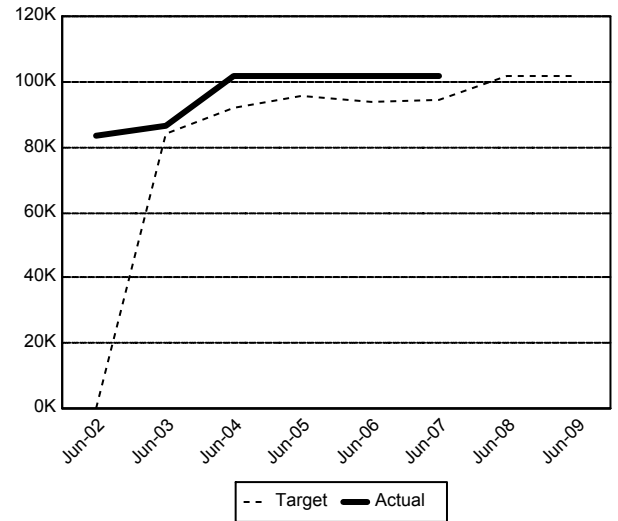


As of 6/13/2008

Total Distributions to the Economic Development Strategic Reserve Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,354		
	4th Qtr	\$3,201		
2005-07	8th Qtr	\$2,971	\$2,976	\$5
	4th Qtr	\$2,000	\$3,035	\$1,035
<p><i>Distributions to the Economic Development Strategic Reserve Account were established in the 2005 legislative session and are made in accordance with RCW 67.70.190. This distribution is included in total contributions to Lottery beneficiaries. One-third of all unclaimed prizes from all Lottery games are transferred to this account. The Lottery is the sole contributor. Obligations to the Economic Development Strategic Reserve Account are met before funds are available to Education Construction.</i></p>				

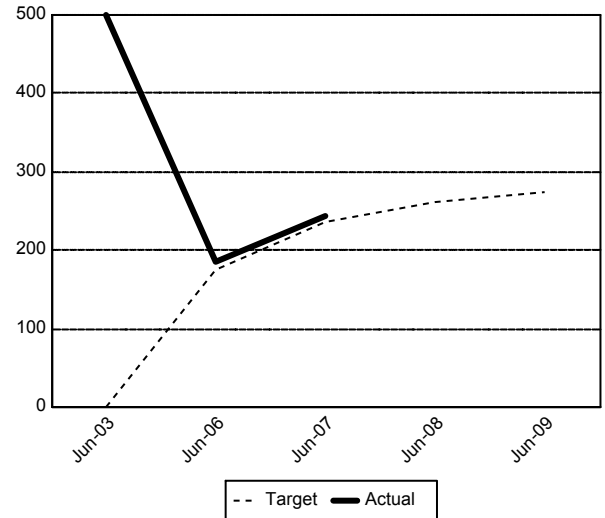


Total Distributions to the Education Construction Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$102,000		
	4th Qtr	\$102,000		
2005-07	8th Qtr	\$94,518	\$101,932	\$7,414
	4th Qtr	\$93,663	\$102,000	\$8,337
<p><i>Distributions to Education Construction are made accordance with RCW 67.70.240. These distributions are made after obligations to King County for the baseball stadium, the Stadium and Exhibition Center, and Problem Gambling are met. Beginning in FY03 funds from the shared game (Mega Millions) are transferred to Education Construction until total distributions reach \$102M. The Education Construction Account receives the largest portion of Lottery funds, which consisted of 86.5% in FY07.</i></p>				



As of 6/13/2008

Total Distributions to the Problem Gambling Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$274		
	4th Qtr	\$262		
2005-07	8th Qtr	\$235	\$244	\$9
	4th Qtr	\$174	\$186	\$12
<p><i>Distributions to Problem Gambling were established in the 2005 legislative session and are made in accordance with RCW 67.70.340. This obligation is met before funds are available to Education or the General Fund. This distribution is included in total contributions to Lottery beneficiaries. Total distributions include 13/100 of one percent of Lottery's net receipts. In addition to the total contributions to Problem Gambling, the Lottery also contributes resources to support awareness.</i></p>				



A005 Game Vendors

Statewide Result Area: Strengthen government's ability to achieve results efficiently and effectively

Statewide Strategy: Provide state financial services and resources

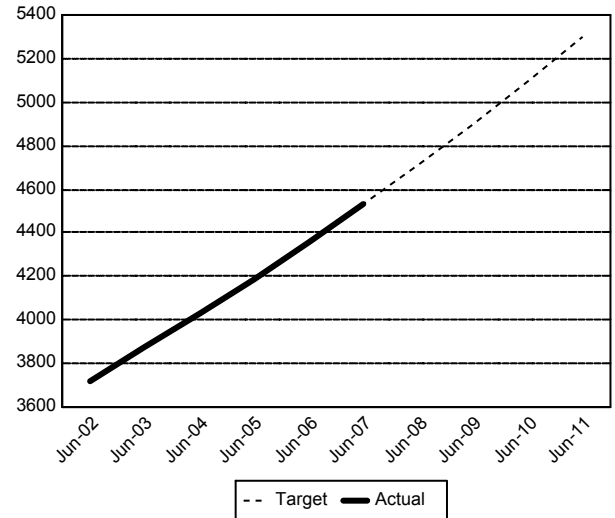
Expected Results

Lottery products (games) which are attractive and entertaining, and encrypted rapid wager processing systems that ensure high product integrity. This activity also contributes to the revenue measure listed with the Administration activity.

As of 6/13/2008

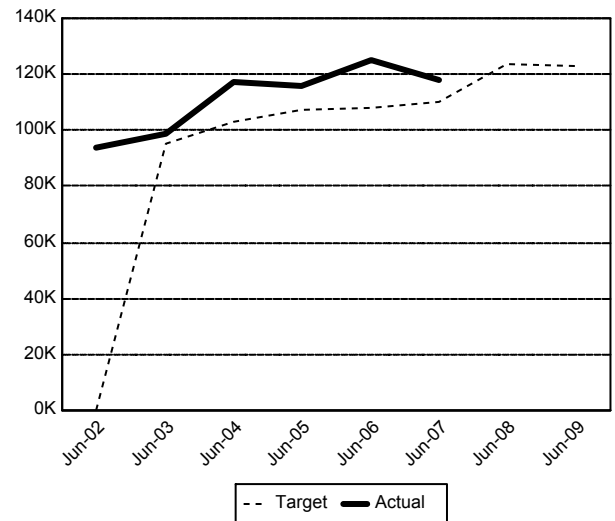
King County Baseball Stadium Debt Reduction (Safeco Field) (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$5,299		
	4th Qtr	\$5,095		
2007-09	8th Qtr	\$4,899		
	4th Qtr	\$4,711		
2005-07	8th Qtr	\$4,530	\$4,530	\$0
	4th Qtr	\$4,355	\$4,355	\$0

Distributions to King County are used for debt reduction on the baseball stadium (Safeco Field) and are included in total contributions to Lottery beneficiaries. Obligations to King Co are met before funds are contributed to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1996 at \$3M per year and increased by four percent per year. Distributions will stop when the bonds are retired, which may be as soon as 2012 but no later than 2016.



Total Distributions to Lottery Beneficiaries (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$122,996		
	4th Qtr	\$123,749		
2005-07	8th Qtr	\$110,465	\$117,893	\$7,428
	4th Qtr	\$108,088	\$125,089	\$17,001

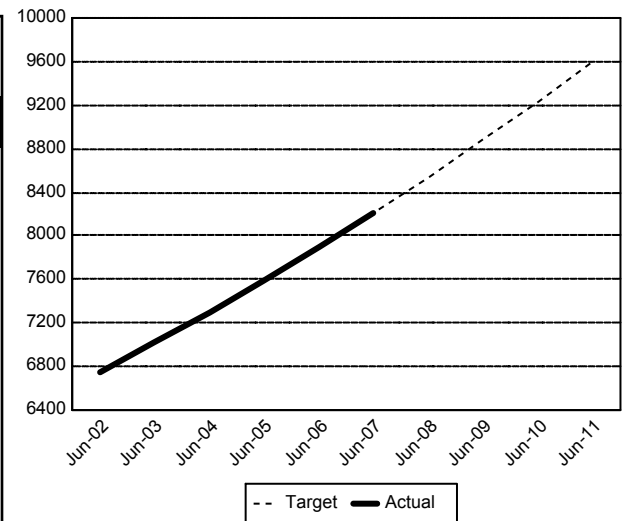
Distributions to beneficiaries are outlined in RCW 67.70.190, RCW 67.70.240, and RCW 67.70.340. Beneficiaries include King County for debt reduction on the baseball stadium, the Stadium & Exhibition Center (Qwest Field), Economic Development Strategic Reserve, Problem Gambling, Education Construction, and, when funds are available, the General Fund.



As of 6/13/2008

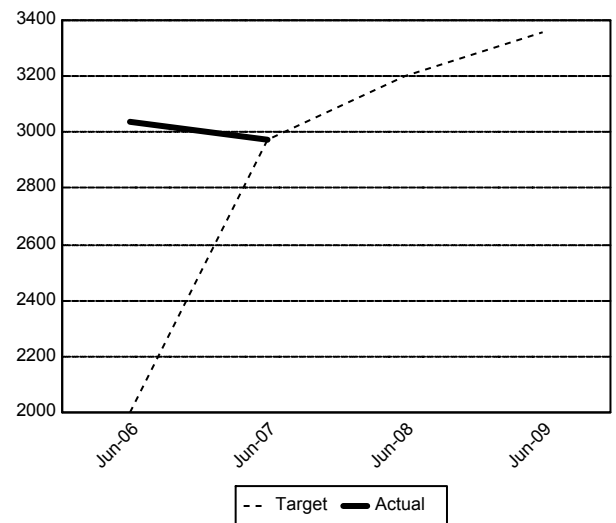
Total Distributions to Stadium & Exhibition Center - Qwest Field (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$9,606		
	4th Qtr	\$9,236		
2007-09	8th Qtr	\$8,881		
	4th Qtr	\$8,540		
2005-07	8th Qtr	\$8,211	\$8,211	\$0
	4th Qtr	\$7,896	\$7,896	\$0

Distributions to the Stadium and Exhibition Center are used for debt reduction on Qwest Field and are included in total contributions to Lottery beneficiaries. Obligations to the Stadium and Exhibition Center are met before funds are available to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1998 at \$6M per year and increase by four percent each year. Distributions will stop when the bonds are retired, or 12/31/20, whichever comes first.



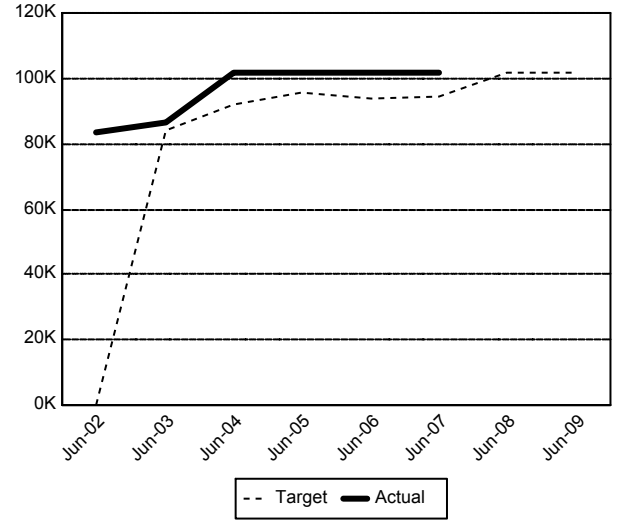
Total Distributions to the Economic Development Strategic Reserve Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,354		
	4th Qtr	\$3,201		
2005-07	8th Qtr	\$2,971	\$2,976	\$5
	4th Qtr	\$2,000	\$3,035	\$1,035

Distributions to the Economic Development Strategic Reserve Account were established in the 2005 legislative session and are made in accordance with RCW 67.70.190. This distribution is included in total contributions to Lottery beneficiaries. One-third of all unclaimed prizes from all Lottery games are transferred to this account. The Lottery is the sole contributor. Obligations to the Economic Development Strategic Reserve Account are met before funds are available to Education Construction.

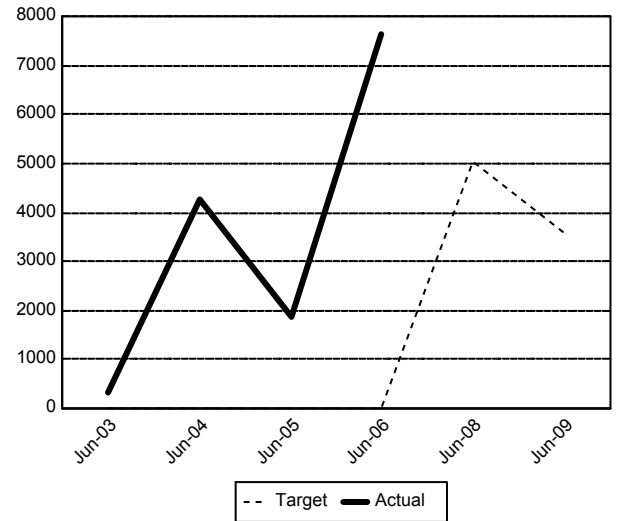


As of 6/13/2008

Total Distributions to the Education Construction Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$102,000		
	4th Qtr	\$102,000		
2005-07	8th Qtr	\$94,518	\$101,932	\$7,414
	4th Qtr	\$93,663	\$102,000	\$8,337
<p><i>Distributions to Education Construction are made accordance with RCW 67.70.240. These distributions are made after obligations to King County for the baseball stadium, the Stadium and Exhibition Center, and Problem Gambling are met. Beginning in FY03 funds from the shared game (Mega Millions) are transferred to Education Construction until total distributions reach \$102M. The Education Construction Account receives the largest portion of Lottery funds, which consisted of 86.5% in FY07.</i></p>				



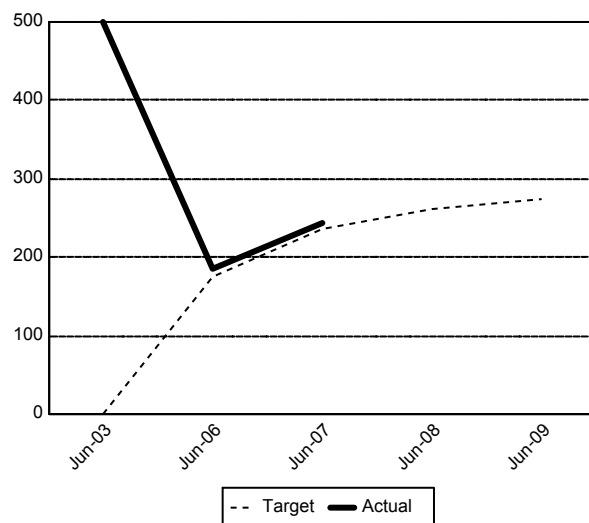
Total Distributions to the General Fund Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,587		
	4th Qtr	\$5,035		
2005-07	4th Qtr	\$0	\$7,618	\$7,618
<p><i>Distributions to the General Fund Account are made in accordance with RCW 67.70.340. Prior to making transfers to the General Fund, obligations for the stadiums and to Problem Gambling, Economic Development, and Education Construction must be met. Profits from the shared game are also transfer to Education Construction until total contributions to Education Construction has reached \$102M. All the remaining profits go to the General Fund.</i></p>				



As of 6/13/2008

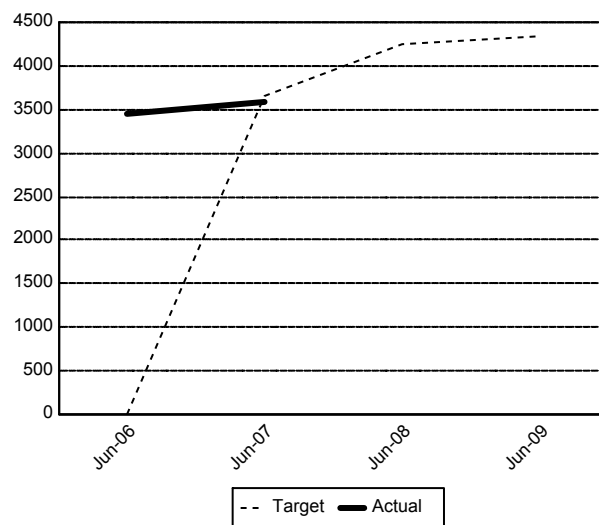
Total Distributions to the Problem Gambling Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$274		
	4th Qtr	\$262		
2005-07	8th Qtr	\$235	\$244	\$9
	4th Qtr	\$174	\$186	\$12

Distributions to Problem Gambling were established in the 2005 legislative session and are made in accordance with RCW 67.70.340. This obligation is met before funds are available to Education or the General Fund. This distribution is included in total contributions to Lottery beneficiaries. Total distributions include 13/100 of one percent of Lottery's net receipts. In addition to the total contributions to Problem Gambling, the Lottery also contributes resources to support awareness.



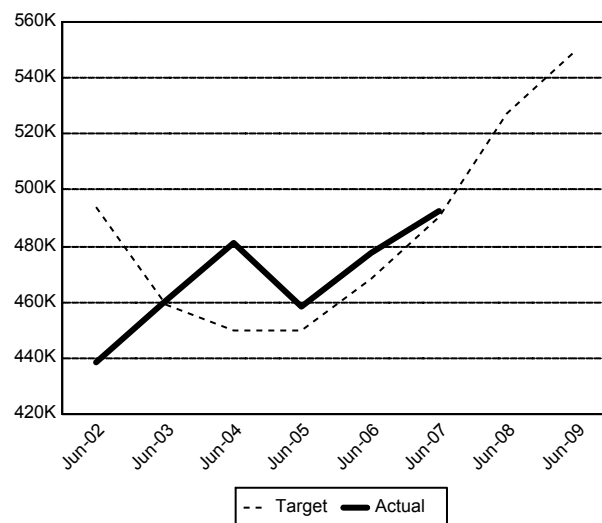
Total Lottery Retailers on June 30				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	4,345		
	4th Qtr	4,245		
2005-07	8th Qtr	3,645	3,579	(66)
	4th Qtr	0	3,445	3,445

Prior to fiscal year 2007 the Lottery was limited in the gaming contract by the total number of retailers that the system could handle. During that time the total number remained close to 3,500. With the implementation of the new gaming contract in fiscal year 2007 those limitations were lifted and goals were established to increase the retailer base.



As of 6/13/2008

Total Sales - All Lottery Products (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$550,000		
	4th Qtr	\$527,000		
2005-07	8th Qtr	\$490,700	\$492,591	\$1,891
	4th Qtr	\$468,000	\$477,886	\$9,886
<p><i>Each biennium Washington's Lottery develops a sales budget based on previous years results, sales plans, and economic forecasts, however, Lottery sales are highly jackpot driven - sales increase as jackpots grow.</i></p>				



A014 King County (Safeco Field) Statutory Payment

Statewide Result Area: Strengthen government's ability to achieve results efficiently and effectively

Statewide Strategy: Provide state financial services and resources

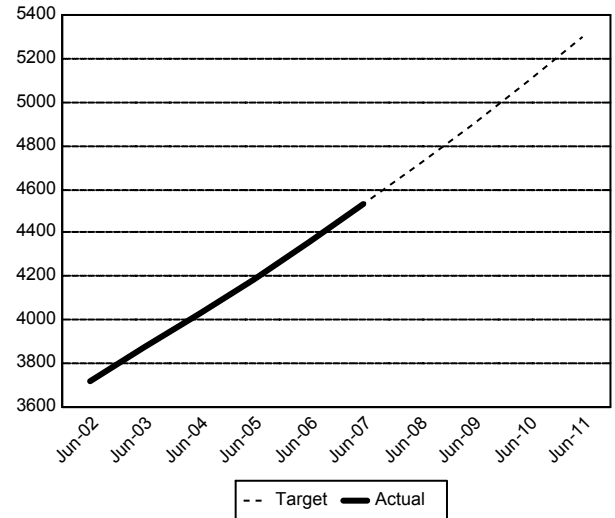
Expected Results

Statutory obligation for debt service payments on bonds used to build Safeco field is met.

As of 6/13/2008

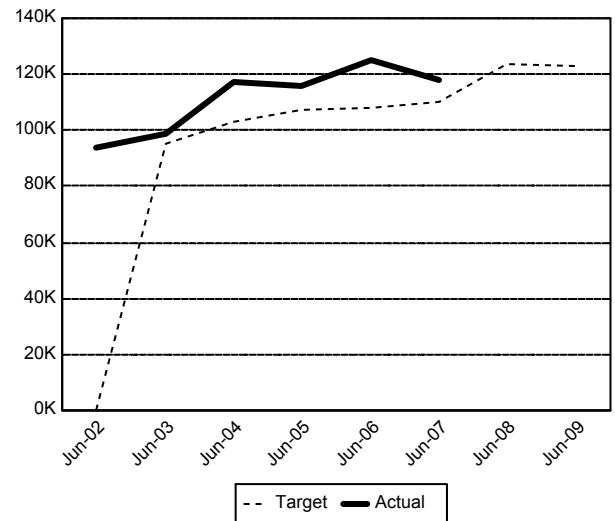
King County Baseball Stadium Debt Reduction (Safeco Field) (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$5,299		
	4th Qtr	\$5,095		
2007-09	8th Qtr	\$4,899		
	4th Qtr	\$4,711		
2005-07	8th Qtr	\$4,530	\$4,530	\$0
	4th Qtr	\$4,355	\$4,355	\$0

Distributions to King County are used for debt reduction on the baseball stadium (Safeco Field) and are included in total contributions to Lottery beneficiaries. Obligations to King Co are met before funds are contributed to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1996 at \$3M per year and increased by four percent per year. Distributions will stop when the bonds are retired, which may be as soon as 2012 but no later than 2016.



Total Distributions to Lottery Beneficiaries (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$122,996		
	4th Qtr	\$123,749		
2005-07	8th Qtr	\$110,465	\$117,893	\$7,428
	4th Qtr	\$108,088	\$125,089	\$17,001

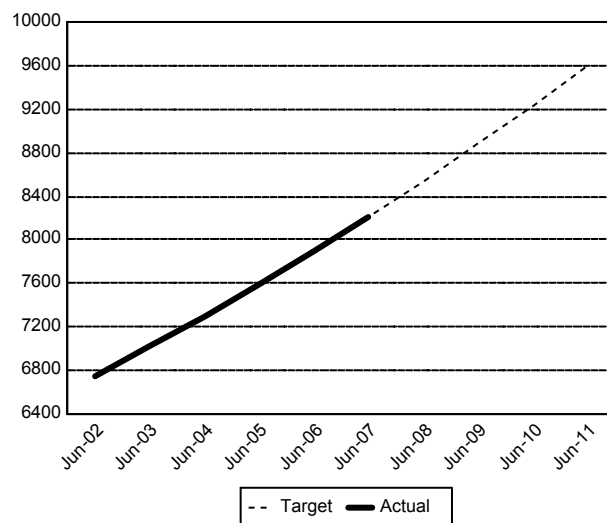
Distributions to beneficiaries are outlined in RCW 67.70.190, RCW 67.70.240, and RCW 67.70.340. Beneficiaries include King County for debt reduction on the baseball stadium, the Stadium & Exhibition Center (Qwest Field), Economic Development Strategic Reserve, Problem Gambling, Education Construction, and, when funds are available, the General Fund.



As of 6/13/2008

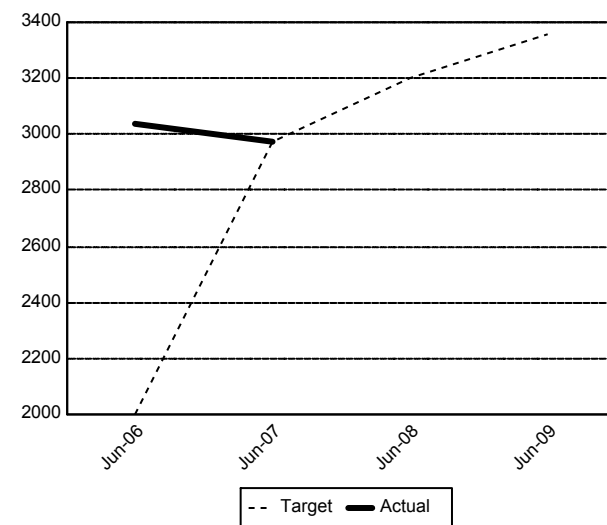
Total Distributions to Stadium & Exhibition Center - Qwest Field (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$9,606		
	4th Qtr	\$9,236		
2007-09	8th Qtr	\$8,881		
	4th Qtr	\$8,540		
2005-07	8th Qtr	\$8,211	\$8,211	\$0
	4th Qtr	\$7,896	\$7,896	\$0

Distributions to the Stadium and Exhibition Center are used for debt reduction on Qwest Field and are included in total contributions to Lottery beneficiaries. Obligations to the Stadium and Exhibition Center are met before funds are available to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1998 at \$6M per year and increase by four percent each year. Distributions will stop when the bonds are retired, or 12/31/20, whichever comes first.



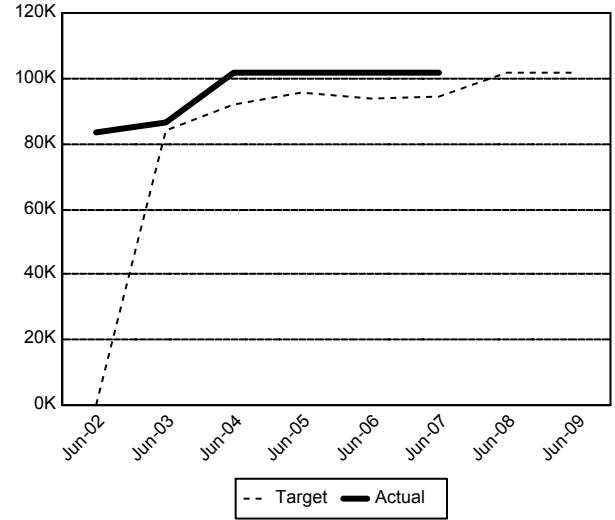
Total Distributions to the Economic Development Strategic Reserve Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,354		
	4th Qtr	\$3,201		
2005-07	8th Qtr	\$2,971	\$2,976	\$5
	4th Qtr	\$2,000	\$3,035	\$1,035

Distributions to the Economic Development Strategic Reserve Account were established in the 2005 legislative session and are made in accordance with RCW 67.70.190. This distribution is included in total contributions to Lottery beneficiaries. One-third of all unclaimed prizes from all Lottery games are transferred to this account. The Lottery is the sole contributor. Obligations to the Economic Development Strategic Reserve Account are met before funds are available to Education Construction.

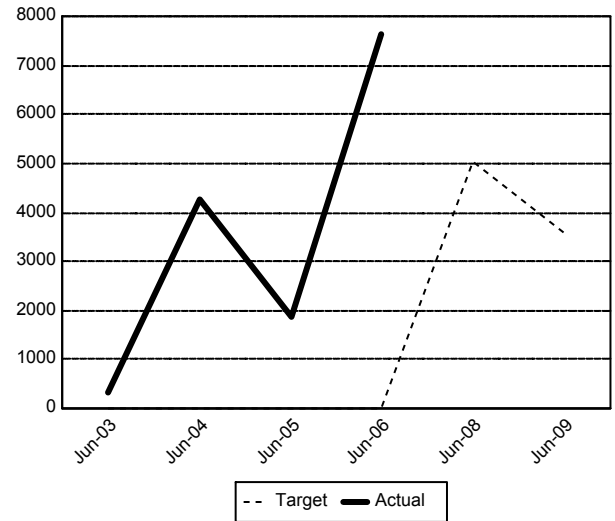


As of 6/13/2008

Total Distributions to the Education Construction Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$102,000		
	4th Qtr	\$102,000		
2005-07	8th Qtr	\$94,518	\$101,932	\$7,414
	4th Qtr	\$93,663	\$102,000	\$8,337
<p><i>Distributions to Education Construction are made accordance with RCW 67.70.240. These distributions are made after obligations to King County for the baseball stadium, the Stadium and Exhibition Center, and Problem Gambling are met. Beginning in FY03 funds from the shared game (Mega Millions) are transferred to Education Construction until total distributions reach \$102M. The Education Construction Account receives the largest portion of Lottery funds, which consisted of 86.5% in FY07.</i></p>				

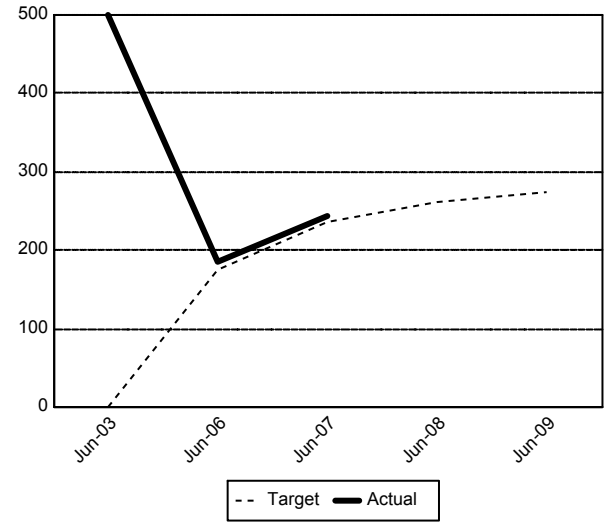


Total Distributions to the General Fund Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,587		
	4th Qtr	\$5,035		
2005-07	4th Qtr	\$0	\$7,618	\$7,618
<p><i>Distributions to the General Fund Account are made in accordance with RCW 67.70.340. Prior to making transfers to the General Fund, obligations for the stadiums and to Problem Gambling, Economic Development, and Education Construction must be met. Profits from the shared game are also transfer to Education Construction until total contributions to Education Construction has reached \$102M. All the remaining profits go to the General Fund.</i></p>				

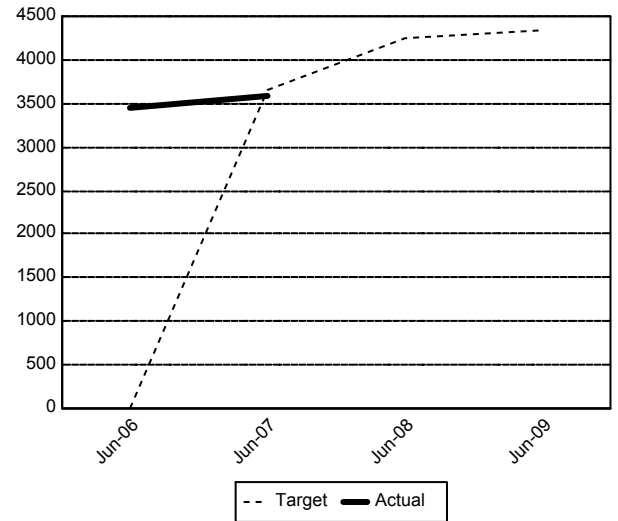


As of 6/13/2008

Total Distributions to the Problem Gambling Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$274		
	4th Qtr	\$262		
2005-07	8th Qtr	\$235	\$244	\$9
	4th Qtr	\$174	\$186	\$12
<p><i>Distributions to Problem Gambling were established in the 2005 legislative session and are made in accordance with RCW 67.70.340. This obligation is met before funds are available to Education or the General Fund. This distribution is included in total contributions to Lottery beneficiaries. Total distributions include 13/100 of one percent of Lottery's net receipts. In addition to the total contributions to Problem Gambling, the Lottery also contributes resources to support awareness.</i></p>				

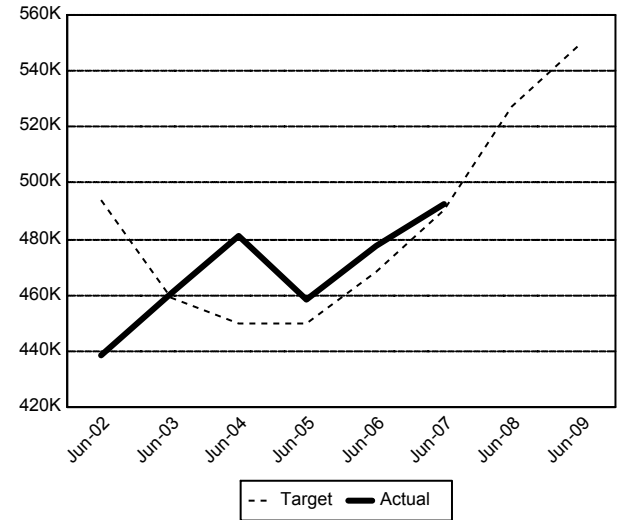


Total Lottery Retailers on June 30				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	4,345		
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As of 6/13/2008

Total Sales - All Lottery Products (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
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<p><i>Each biennium Washington's Lottery develops a sales budget based on previous years results, sales plans, and economic forecasts, however, Lottery sales are highly jackpot driven - sales increase as jackpots grow.</i></p>				



A007 Marketing, Research, and Communications

Statewide Result Area: Strengthen government's ability to achieve results efficiently and effectively

Statewide Strategy: Provide state financial services and resources

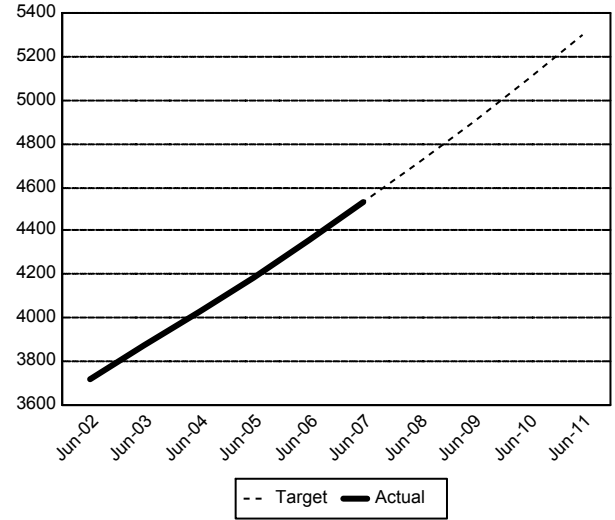
Expected Results

Lottery players who know about our products, who choose them because they are both entertaining and offer a societal payback, and who will continue to watch for new and fun opportunities from the Lottery. This activity also contributes to the revenue measure listed with the Administration activity.

As of 6/13/2008

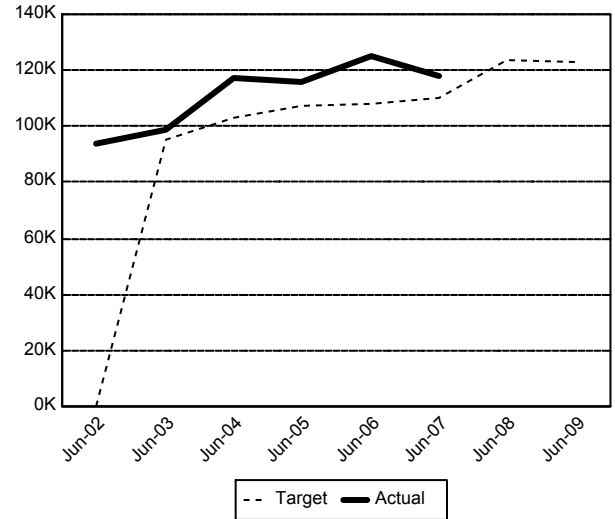
King County Baseball Stadium Debt Reduction (Safeco Field) (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
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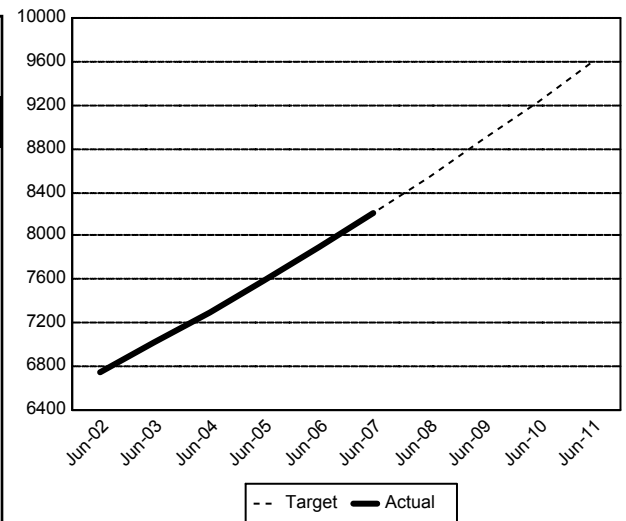
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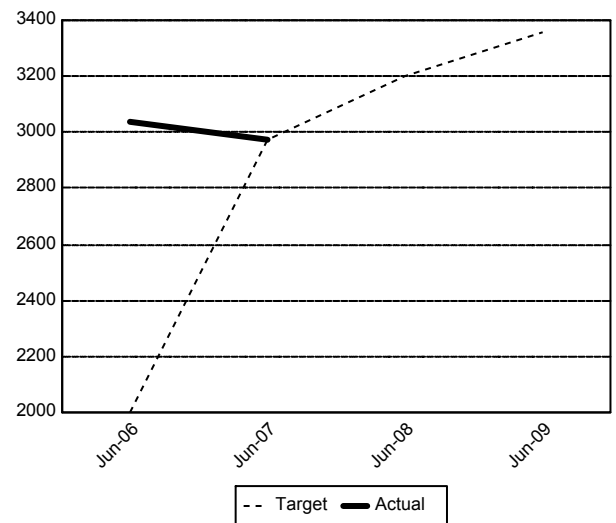
Total Distributions to Stadium & Exhibition Center - Qwest Field (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$9,606		
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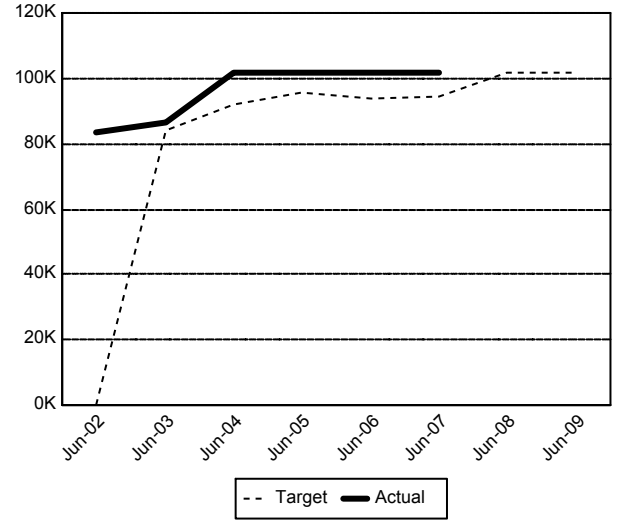
Total Distributions to the Economic Development Strategic Reserve Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,354		
	4th Qtr	\$3,201		
2005-07	8th Qtr	\$2,971	\$2,976	\$5
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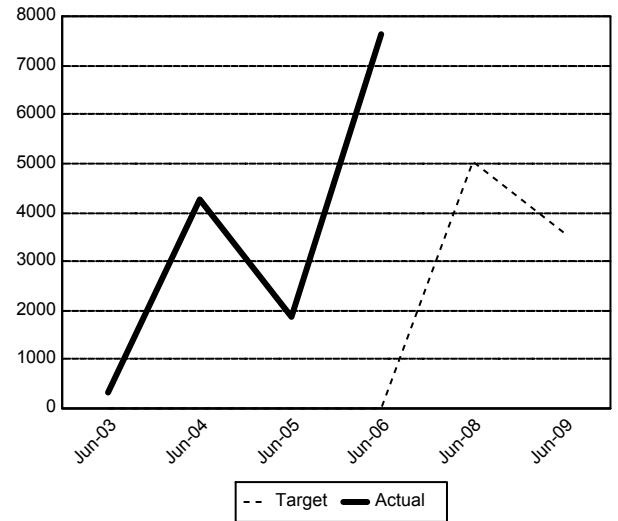


As of 6/13/2008

Total Distributions to the Education Construction Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$102,000		
	4th Qtr	\$102,000		
2005-07	8th Qtr	\$94,518	\$101,932	\$7,414
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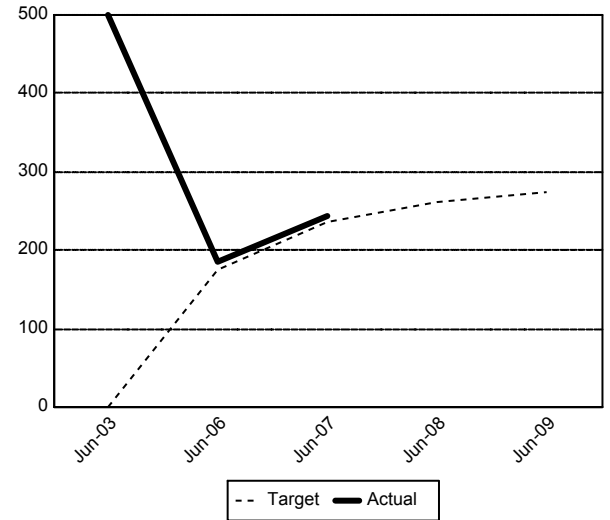


Total Distributions to the General Fund Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,587		
	4th Qtr	\$5,035		
2005-07	4th Qtr	\$0	\$7,618	\$7,618
<p><i>Distributions to the General Fund Account are made in accordance with RCW 67.70.340. Prior to making transfers to the General Fund, obligations for the stadiums and to Problem Gambling, Economic Development, and Education Construction must be met. Profits from the shared game are also transfer to Education Construction until total contributions to Education Construction has reached \$102M. All the remaining profits go to the General Fund.</i></p>				

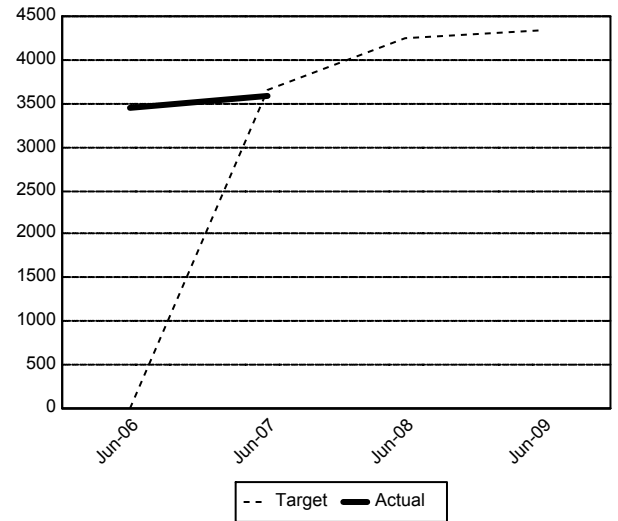


As of 6/13/2008

Total Distributions to the Problem Gambling Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$274		
	4th Qtr	\$262		
2005-07	8th Qtr	\$235	\$244	\$9
	4th Qtr	\$174	\$186	\$12
<p><i>Distributions to Problem Gambling were established in the 2005 legislative session and are made in accordance with RCW 67.70.340. This obligation is met before funds are available to Education or the General Fund. This distribution is included in total contributions to Lottery beneficiaries. Total distributions include 13/100 of one percent of Lottery's net receipts. In addition to the total contributions to Problem Gambling, the Lottery also contributes resources to support awareness.</i></p>				

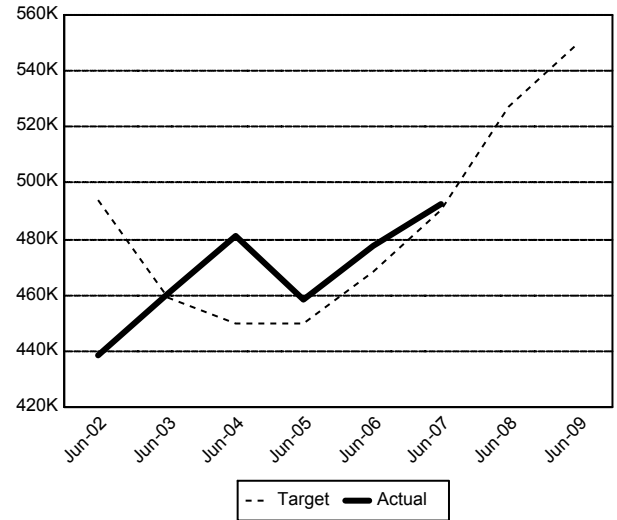


Total Lottery Retailers on June 30				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	4,345		
	4th Qtr	4,245		
2005-07	8th Qtr	3,645	3,579	(66)
	4th Qtr	0	3,445	3,445
<p><i>Prior to fiscal year 2007 the Lottery was limited in the gaming contract by the total number of retailers that the system could handle. During that time the total number remained close to 3,500. With the implementation of the new gaming contract in fiscal year 2007 those limitations were lifted and goals were established to increase the retailer base.</i></p>				



As of 6/13/2008

Total Sales - All Lottery Products (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$550,000		
	4th Qtr	\$527,000		
2005-07	8th Qtr	\$490,700	\$492,591	\$1,891
	4th Qtr	\$468,000	\$477,886	\$9,886
<p><i>Each biennium Washington's Lottery develops a sales budget based on previous years results, sales plans, and economic forecasts, however, Lottery sales are highly jackpot driven - sales increase as jackpots grow.</i></p>				



A011 Retailer Support

Statewide Result Area: Strengthen government's ability to achieve results efficiently and effectively

Statewide Strategy: Provide state financial services and resources

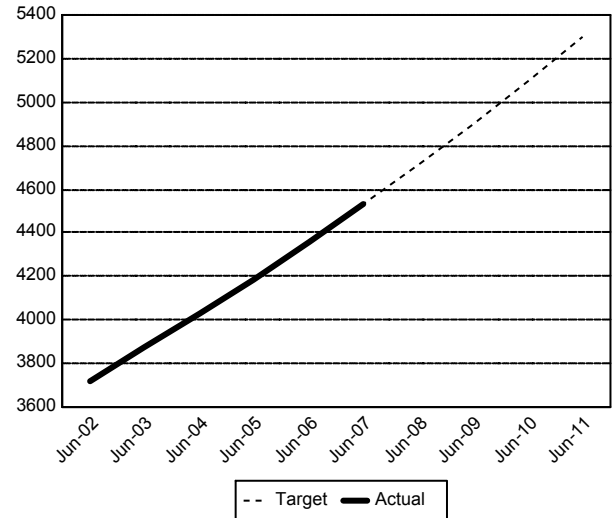
Expected Results

Lottery retailers who are knowledgeable about our products, confident in selling them, adequately stocked at all times, and appreciate serving as partners with the Lottery in benefiting the state of Washington. This activity also contributes to the revenue measure listed with the Administration activity.

As of 6/13/2008

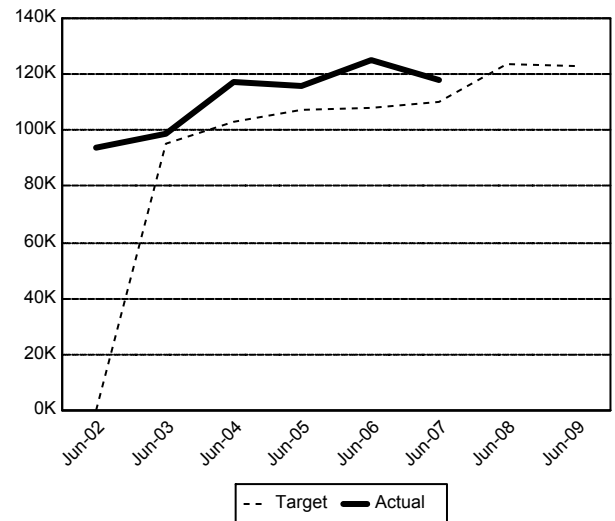
King County Baseball Stadium Debt Reduction (Safeco Field) (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$5,299		
	4th Qtr	\$5,095		
2007-09	8th Qtr	\$4,899		
	4th Qtr	\$4,711		
2005-07	8th Qtr	\$4,530	\$4,530	\$0
	4th Qtr	\$4,355	\$4,355	\$0

Distributions to King County are used for debt reduction on the baseball stadium (Safeco Field) and are included in total contributions to Lottery beneficiaries. Obligations to King Co are met before funds are contributed to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1996 at \$3M per year and increased by four percent per year. Distributions will stop when the bonds are retired, which may be as soon as 2012 but no later than 2016.



Total Distributions to Lottery Beneficiaries (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$122,996		
	4th Qtr	\$123,749		
2005-07	8th Qtr	\$110,465	\$117,893	\$7,428
	4th Qtr	\$108,088	\$125,089	\$17,001

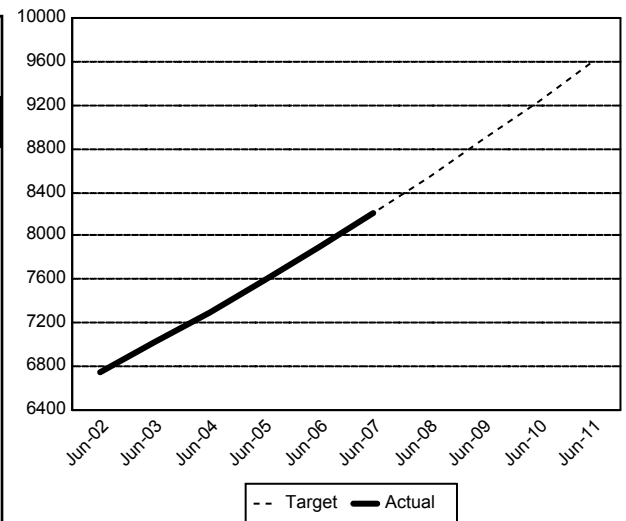
Distributions to beneficiaries are outlined in RCW 67.70.190, RCW 67.70.240, and RCW 67.70.340. Beneficiaries include King County for debt reduction on the baseball stadium, the Stadium & Exhibition Center (Qwest Field), Economic Development Strategic Reserve, Problem Gambling, Education Construction, and, when funds are available, the General Fund.



As of 6/13/2008

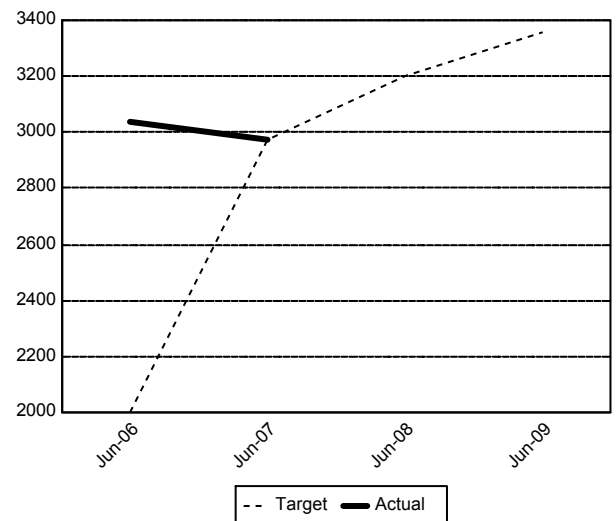
Total Distributions to Stadium & Exhibition Center - Qwest Field (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2009-11	8th Qtr	\$9,606		
	4th Qtr	\$9,236		
2007-09	8th Qtr	\$8,881		
	4th Qtr	\$8,540		
2005-07	8th Qtr	\$8,211	\$8,211	\$0
	4th Qtr	\$7,896	\$7,896	\$0

Distributions to the Stadium and Exhibition Center are used for debt reduction on Qwest Field and are included in total contributions to Lottery beneficiaries. Obligations to the Stadium and Exhibition Center are met before funds are available to Education Construction. These distributions are made in accordance with RCW 67.70.240 beginning in 1998 at \$6M per year and increase by four percent each year. Distributions will stop when the bonds are retired, or 12/31/20, whichever comes first.



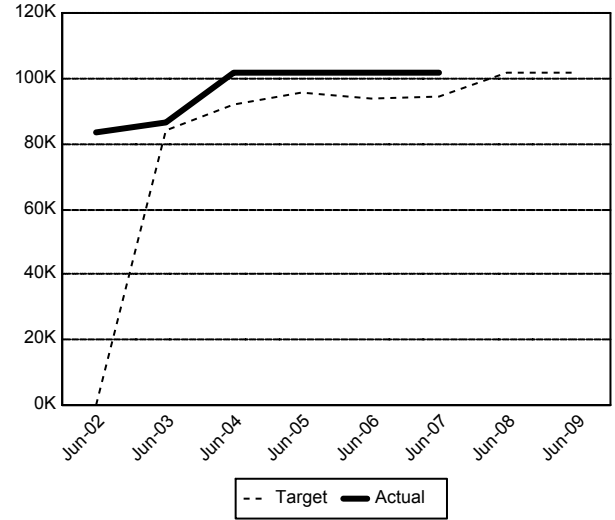
Total Distributions to the Economic Development Strategic Reserve Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$3,354		
	4th Qtr	\$3,201		
2005-07	8th Qtr	\$2,971	\$2,976	\$5
	4th Qtr	\$2,000	\$3,035	\$1,035

Distributions to the Economic Development Strategic Reserve Account were established in the 2005 legislative session and are made in accordance with RCW 67.70.190. This distribution is included in total contributions to Lottery beneficiaries. One-third of all unclaimed prizes from all Lottery games are transferred to this account. The Lottery is the sole contributor. Obligations to the Economic Development Strategic Reserve Account are met before funds are available to Education Construction.

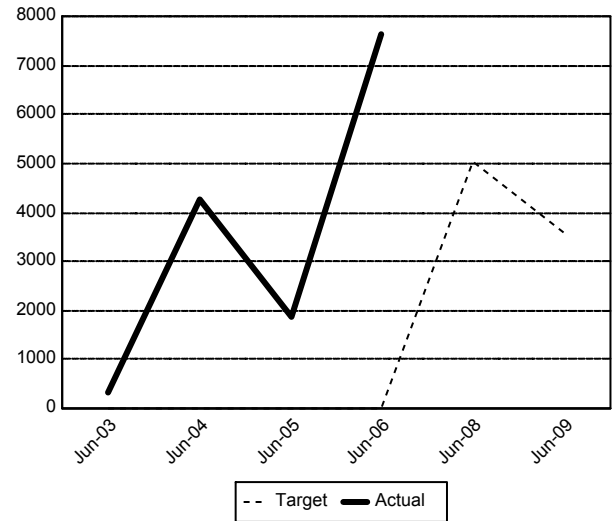


As of 6/13/2008

Total Distributions to the Education Construction Account (in thousands of dollars)				
Biennium	Period	Target	Actual	Variance
2007-09	8th Qtr	\$102,000		
	4th Qtr	\$102,000		
2005-07	8th Qtr	\$94,518	\$101,932	\$7,414
	4th Qtr	\$93,663	\$102,000	\$8,337
<p><i>Distributions to Education Construction are made accordance with RCW 67.70.240. These distributions are made after obligations to King County for the baseball stadium, the Stadium and Exhibition Center, and Problem Gambling are met. Beginning in FY03 funds from the shared game (Mega Millions) are transferred to Education Construction until total distributions reach \$102M. The Education Construction Account receives the largest portion of Lottery funds, which consisted of 86.5% in FY07.</i></p>				

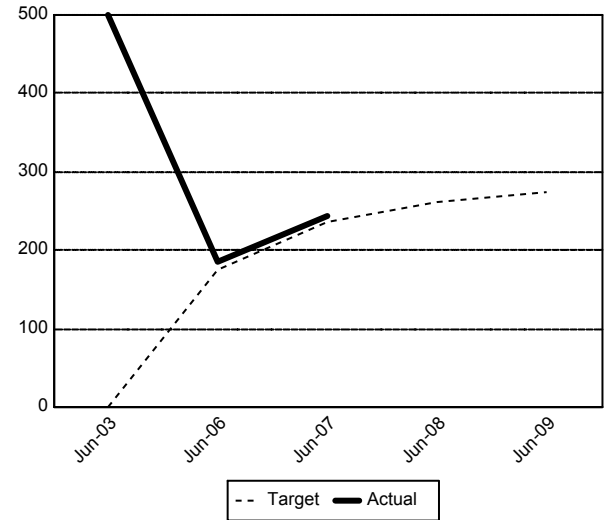


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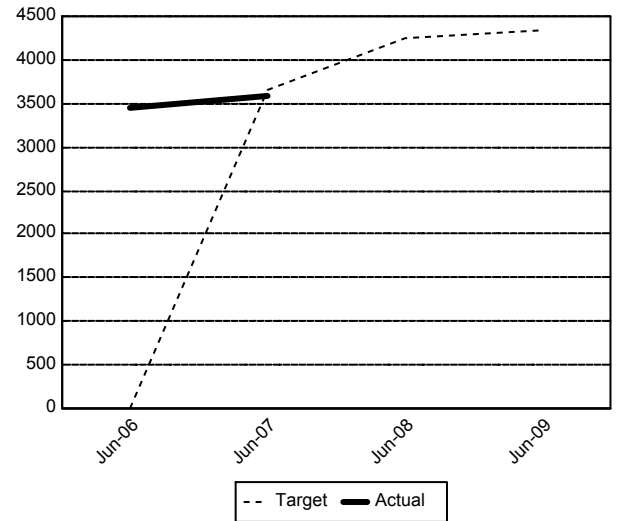


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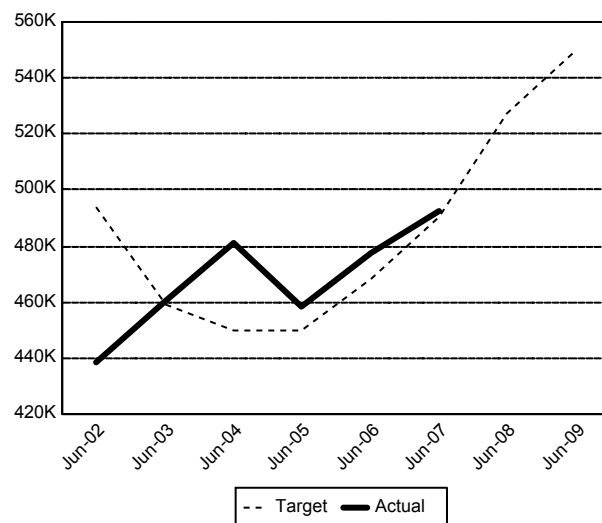


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ZZZX Other Statewide Adjustments

Statewide Result Area: Strengthen government's ability to achieve results efficiently and effectively

Statewide Strategy: Provide state financial services and resources